PUBLIC FINANCE

International quarterly journal devoted to the study of fiscal policy and related problems

FINANCES PUBLIQUES

Revue trimestrielle internationale d'études de finances publiques et de problèmes annexes

Volume XI / 1956 - 58 / 3

PUBLISHER/EDITEUR

"PUBLIC FINANCE/FINANCES PUBLIQUES"

DIR. DR. J. A. MONOD DE FROIDEVILLE

HAARLEM

NETHERLANDS/PAYS BAS

SWETS & ZEITLINGER N.V. - AMSTERDAM

The pages 1-6, 194, 286 have not been reprinted.
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Swets & Zeitlinger N.V. - Amsterdam - 1964.

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ZUR METHODIK UND PRAXIS DES INTERNATIONALEN VERGLEICHS DER STEUERBELASTUNGEN

VON HELMUT BECKENDORFF

Universität Köln

1. *Fortschritt und Grenzen des Steuerbelastungsvergleichs*

Die wirtschaftlichen und politischen Ereignisse der letzten Jahre weisen sehr viele Parallelen zu den Begebenheiten in der Zeit nach dem ersten Weltkrieg auf. Das gilt nicht zuletzt für die Diskussion um die Probleme, die sich aus den Plänen für eine Ordnung des Zusammenlebens der Nationen oder gar für supranationale Zusammenschlüsse ergeben, wie sie heute bereits in Europa als erste Ansätze in der Montanunion, aber auch in den Verteidigungs-Allianzen bestehen. Zu dieser Überzeugung muss man gelangen, wenn man sich die ideengeschichtliche Entwicklung des internationalen Steuerbelastungsvergleichs vor Augen führt.

Bereits in den zwanziger Jahren erreichte die Diskussion um das Wie eines internationalen Steuerlastvergleichs Höhenpunkte, die auch in den jüngsten Arbeiten kaum noch wesentlich übertroffen werden konnten. Die damaligen theoretischen Erkenntnisse fanden u.a. in umfassenden finanzstatistischen Erhebungen und Ausarbeitungen, wie z.B. in den Einzelschriften zur Statistik des Deutschen Reichs und anderen Veröffentlichungenen des Statistischen Reichsamtes, einen Niederschlag [1]). Alle die Fragen, um die heute immer noch — oder gerade wieder — diskutiert wird, wie z.B. die Wahl des richtigen einheitlichen Maßstabes zum Vergleich der steuerlichen Lasten in verschiedenen Ländern, die Tatsache, dass nicht nur die Steuern, sondern auch die parafiskalischen Lasten in den

[1]) Besteuerung und Rentabilität gewerblicher Unternehmungen, in: Einzelschriften zur Statistik des Deutschen Reichs, Nr. 4, Berlin 1928,
Die Besteuerung der Landwirtschaft, in: Einzelschriften zur Statistik des Deutschen Reichs, Nr. 12, Berlin 1930,
Beitrag zum internationalen Steuerbelastungsvergleich in: Vierteljahreshefte zur Statistik der Deutschen Reichs Nr. 41, Berlin 1932,
Beiträge zum Steuerbelastungsvergleich. Die Realsteuerzuschläge in den deutschen Städten mit mehr als 20.000 Einwohnern in den Rechnungsjahren 1926 bis 1929, und die Besteuerung des Einzelhandels im Jahre 1928, in: Sonderhefte zu Wirtschaft und Statistik Nr. 7, Berlin 1932,
Die steuerliche Belastung des Haushaltsbedarfs durch Verbrauchsabgaben und Zölle mit einem Beitrag zur Phasenpauschalierung der Umsatzsteuer, in: Einzelschriften zur Statistik des Deutschen Reichs Nr. 21, Berlin 1932,
Die Besteuerung der gewerblichen Unternehmungen und ihre betriebswirtschaftlichen Grundlagen, in: Einzelschriften zur Statistik des Deutschen Reichs, Nr. 28, Berlin 1934.

Vergleich einbezogen werden müssen, oder auch die Zusammenfassung der Zwangsabgaben *aller* Gebietskörperschaften zur Steuerbelastung in einem Staatswesen [2]), sind damals schon so weit beantwortet worden, dass alle Vorarbeiten für eine internationale Finanzstatistik in der Theorie als getan anzusehen waren. Nur an einem mangelte es, nämlich an der Verwirklichung der gewonnenen theoretischen Erkenntnisse in der praktischen Finanzstatistik der einzelner Länder. Das soll nicht heissen, dass die statistische Praxis an diesen Erkenntnissen vorübergegangen wäre, doch fehlte es einmal vielfach an ausreichenden Erfassungen des benötigten Zahlenmaterials und zum anderen kam es nicht zu den erforderlichen internationalen Übereinkünften über die notwendigen gegenseitigen Anpassungen der statistischen Erhebungen, die erst eine gemeinsame und aussagefähige Auswertung des statistischen Zahlenmaterials für die verschiedenen Länder zugelassen hätte. Man ging vielmehr in den einzelnen Staaten oft eigene Wege und entfernte sich daher mehr und mehr voneinander. Erst nach dem zweiten Weltkrieg gelang es internationalen Institutionen, einen gewissen Einfluss auf die nationalen Finanzstatistiken und Volkseinkommensrechnungen zu gewinnen, so dass sich die Voraussetzungen für einen aussagefähigen internationalen Vergleich besserten. So drängte die OEEC bei ihren Mitgliedsländern auf eine einheitliche volkswirtschaftliche Gesamtrechnung nach dem von der National Accounts Research Unit, Cambridge, herausgegebenen „Simplified System of National Accounts". Auch von den „Vereinten Nationen" und dem „Weltwährungsfonds" gingen Bestrebungen in gleicher Richtung aus.

Nach alledem lässt sich jedoch nur feststellen, dass sich die Theorie des internationalen Steuerbelastungsvergleichs in den letzten drei Jahrzehnten kaum noch wesentlich weiterentwickelt hat; vielmehr konnte sie der Praxis eine Methode bieten, die eine mit Erfolg zu handhabende nationale Finanzstatistik zu entwickeln erlaubte. Die praktische Finanzstatistik hat den gebotenen Weg aber nur sehr zögernd eingeschlagen und beginnt erst in den letzten Jahren, erfolgversprechende Ansätze zu zeitigen; allerdings wird zu den bisherigen Ergebnissen noch einiges kritisch zu bemerken sein.

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[2]) Siehe dazu: Gerloff, W.: Steuerbelastungen und Wiedergutmachung. Ein Beitrag zur Reparationsfrage. Schriften des Vereins für Sozialpolitik. 168 Bd.: Finanzwissenschaftliche Untersuchungen, Teil I, München und Leipzig 1924, S. 23 ff.,
Holz, W.: Sind internationale Vergleiche steuerlicher Belastungen möglich?, Probleme des Geld- und Finanzwesens, 2. Bd., Leipzig 1924,
Colm, G.: Die methodischen Grundlagen einer international-vergleichenden Finanzstatistik, in: Weltwirtschaftliches Archiv, 22. Bd., Jena 1925.

Es wäre nun aber völlig falsch zu glauben, der Stein der Weisen, der alle Probleme im Zusammenhang mit einem internationalen Vergleich der steuerlichen Lasten lösen kann, liege in greifbarer Nähe. Vielmehr ist es doch so, dass selbst für den Fall, dass die nationalen Volkseinkommensrechnungen und Finanzstatistiken allen theoretischen Anforderungen gerecht würden, die Aussagefähigkeit aller bestehenden Vergleichsmethoden fast ausnahmslos überschätzt zu werden pflegt. Ganz abgesehen von der mehr oder weniger berechtigten Anfechtbarkeit der einzelnen volkswirtschaftlichen Gesamtrechnungen und der einzelnen nationalen Finanzstatistiken, können die einzelnen Belastungs-Kennziffern, so weit entwickelt sie auch sein mögen, nur immer für den jeweiligen Zweck, für den die einzelne Methode ihrer Errechnungen entwickelt wurde, einen relativ groben Anhalt geben; sind doch alle die unerfassbaren und zumal unvergleichbaren Komponenten — wie z.B. der jedem Volke eigene Lebensstandard, der die steuerliche Leistungsfähigkeit entscheidend mitbestimmt, die sogenannte „Steuermoral", von der die Einkommensdeklarationen und die tatsächlichen Steuerzahlungen abhängen, und die Praxis der Steuererhebung und -verausgabung, durch welche die der Privatwirtschaft entzogene Kaufkraft in mehr oder weniger rationeller Weise in effektive Staatsleistungen verwandelt wird, — von Land zu Land sehr verschieden. Man kann einfach z.B. die Nutzeneinbusse des Durchschnittsbürgers eines ostasiatischen Staates durch die öffentlichen Zwangsabgaben und den Nutzenzuwachs durch die Leistungen der Gebietskörperschaften nicht mit Nutzenmehrungen und -minderungen etwa in einem europäischen Lande vergleichen, da diese subjektiven Wertvorstellungen nicht hinlänglich genau in eine objektive Wertskala einzuordnen sind.

Dennoch darf dieses Eingeständnis der Schwäche nicht zu einer völligen Passivität der gestellten Aufgabe gegenüber führen. Ist doch das gleiche Problem schon innerhalb jedes einzelnen Landes gegeben. Auch im einzelnen Steuersystem muss eine Steuerlast nach bestimmten Vorstellungen, die sich im Laufe der Zeit ja wesentlich gewandelt haben, — man denke nur an die Weite der Entwicklung von der Kopfsteuer zur Proportional und zur Progressivsteuer — auf die Staatsbürger verteilt werden, obgleich auch hier weite Differenzen im Lebensstandard und entsprechend in den Nutzenvorstellungen vorhanden sein können. Im Alltag der steuerpolitischen Willensbildung wurden und werden für diese Aufgabe Grundsätze entwickelt, die in ihrer Geltung nicht auf die Nationalstaaten begrenzt sind. Es wird weiter unten noch zu zeigen sein, in welcher Weise und in welchem Umfange die allgemeinen Besteuerungsgrundsätze für den internationalen Vergleich der Steuerbelastungen nutzbar gemacht werden können oder sogar nutzbar gemacht werden

müssen, wenn man bei einem solchen Vergleich überhaupt zu Ergebnissen gelangen will, die der Zwecksetzung solcher Untersuchungen in irgendeiner Weise gerecht werden können.

Diese Zwecksetzungen drohen ohnehin in der Freude an der Entwicklung der verschiedenen Vergleichsmethoden soweit in den Hintergrund zu treten, dass die Aussagefähigkeit der einzelnen ermittelten Vergleichsergebnisse entweder so sehr eingeschränkt wird, dass ihre Bedeutung nur noch für einen ganz bestimmten Fall und unter einer Unzahl von Bedingungen und Voraussetzungen besteht, oder aber die Aussagefähigkeit der Ergebnisse wird völlig überschätzt und als Begründung für wirtschaftspolitische Entscheidungen herangezogen, die sich in keinem Falle auch auf die besten Ergebnisse eines internationalen Steuerbelastungsvergleichs allein stützten dürften.

2. *Warum werden Steuerlasten international verglichen?*

Ursprünglich — das soll nicht verschwiegen werden — hat der internationale Vergleich der Steuerbelastungen wesentliche Impulse nach beiden Weltkriegen durch das Bestreben der Siegermächte erfahren, auf keinen Fall für die Bevölkerung der unterlegenen Staaten eine geringere steuerliche Belastung zuzulassen als für die eigene. So selbstverständlich, wie diese Einstellung auf den ersten Blick aussieht, ist das aus finanzwissenschaftlicher Sicht durchaus nicht anzuerkennen. Hatte sich schon die relativ naive Reparations-Politik nach dem ersten Weltkrieg, die auf dem Gedanken aufbaute, aus Steuerzahlungen gewonnene Tribute aus den unterlegenen Staaten herauszuziehen, sehr bald wegen der Transfer-Schwierigkeiten als ein Schlag gegen die Siegermächte erwiesen, so kann in ähnlicher Weise eine spätere, abschliessende Beurteilung der nach dem zweiten Weltkriege mit der Demontage-Politik verbundene Steuerpolitik durchaus negativ ausfallen; lässt sich doch bisher noch kaum übersehen, in welchem Maße auf diese Weise die private Initiative in der Wirtschaft — ganz im Gegensatz zu der in den westlichen Staaten angestrebten liberaleren Wirschaftsordnung — durch die öffentliche Hand verdrängt worden ist. Während man die Institution des privaten Eigentums mit einer schweren Hypothek durch Enteignungen und konfiskatorische Besteuerung belastete, wuchs der Staat immer mehr und immer schneller in neue und grössere wirtschaftliche Aufgaben hinein. Die Vermögensakkumulation der öffentlichen Hand und die sich immer mehr zum Nachteil der Privatwirtschaft verschiebende Relation von privatwirtschaftlicher zur staatlichen Investitionstätigkeit, z.B. in der Bundesrepublik Deutschland, sind ein deutliches Warnzeichen, dass hier die Nach-

kriegs-Steuerpolitik Folgen zeitigt, die von den Initiatoren dieser Politik nicht im mindesten beabsichtigt waren.

Über diese Bedeutung des internationalen Steuerbelastungsvergleichs als Folge der Reparations-Politik hinaus, gewinnt jedoch ein solcher Vergleich in den letzten Jahren durch eine andere Entwicklung im internationalen Raum mehr und mehr an Wert. Auf der einen Seite übt schon die wieder zunehmende wirtschaftliche Verflechtung der Aussenhandel treibenden Länder einen Druck in Richtung einer Belastungsanpassung aus, die jedoch vom einzelnen Land nicht vorgenommen werden kann, ohne das Ausmass der zuvor bestehenden Belastungs-Unterschiede zu kennen. Zwar bedient sich der immer wache Protektionismus im Aussenhandel vermehrt steuerlicher Maßnahmen, da Zölle und Kontingentierungen auf Verlangen der jeweiligen Handels-Partnerländer am Weltmarkt abgebaut werden. Auf dem Weltmarkt zwingt jedoch der Wettbewerb alle die Staaten, die der politischen Beeinflussung des einzelnen Landes entzogen sind, noch stärker zu einer Angleichung der Steuerlasten an die der konkurrierenden Staaten, da sonst die heimische Exportwirtschaft so weit ins Nachteil gerät, dass die Aussenhandelsbilanzen schnell unausgeglichen werden. Wenn man diese Anpassung der Steuerlast zunächst auch auf die Exportwirtschaft zu beschränken sucht, so stellt sich auf die Dauer doch heraus, dass dann die steuerlichen Belastungen, die auf den gesamten Vorlieferungen einschliesslich der Kosten für den Faktor Arbeit ruhen, nicht ausgeschaltet werden können.

Auf der anderen Seite ergibt sich geradezu ein Zwang zu einem internationalen Vergleich der Steuerbelastung zum Zwecke des Ausgleichs dieser Belastung in allen jenen übernationalen Gebilden, die eine wirtschaftliche und politische Vereinigung von Staaten anstreben. Das jüngste und den europäischen Staaten naheliegendste Beispiel dafür ist die Montanunion, Hatten sich doch schon unmittelbar nach der Freigabe des gemeinsamen Marktes für Kohle und Stahl Schwierigkeiten herausgestellt, die durch die unterschiedliche Besteuerung dieser Produkte in den einzelnen zur Gemeinschaft gehörenden Ländern verursacht wurden.

Will man nicht wieder den Weg in die nationalstaatliche Isolationspolitik mit dem Zerfall der internationalen Arbeitsteilung wie in den Jahren zwischen den beiden Weltkriegen beschreiten und will man nicht wieder die Wirtschaftspolitik der nationalen Egoismen betreiben, die ganz unzweifelhaft wiederum zu einer Schrumpfung des internationalen Handels mit entsprechend rückläufigem Versorgungsniveau für alle Staaten führt, so bleibt den einzelnen Staaten nichts anderes übrig, als auf einen Teil ihrer Hoheitsrechte zu verzichten; das ist zumal die autonome Wirtschaftspolitik, die heute

schon auf vielen Gebieten, wie z.B. bei den Zöllen und bei den Devisen, durch Verträge eingeschränkt wurde. Das muss dann aber auch für den Bereich der inländischen Steuern gelten, vermehrt noch in allen modernen Industrieländern, in denen heute die durch die öffentlichen Kassen laufenden Beträge einen wesentlichen Teil des ganzen Sozialproduktes ausmachen. Ein Ausweichen von zollpolitischer Maßnahmen auf steuerpolitische, die aber die gleichen Auswirkungen haben, ist vielfach als Folge der vertraglichen Einschränkung protektionistischer Maßnahmen zu beobachten gewesen, so z.B. die zusätzlich zum Zoll in Westdeutschland erhobene Kaffeesteuer. Entsprechende Beispiele lassen sich in fast allen Ländern finden. Damit werden aber die zu lösenden internationalen Wirtschaftsprobleme nur verschärft und keineswegs im Sinne der vertraglich zugesicherten Vermeidung von Diskriminierungen für die Erzeugnisse der Vertragspartner behandelt.

Grundsätzlich sind zur Überwindung dieser Schwierigkeiten zwei Wege gangbar. Entweder werden durch multilaterale Verträge — ähnlich dem Vertragssystem des GATT für die Zölle — *internationale* Vereinbarungen über die internen Besteuerungen getroffen, oder aber es muss die ganze oder doch mindestens ein wesentlicher Teil der Steuergesetzgebung *supranationalen* Institutionen übertragen werden, die dann von sich aus für eine gleichmässige Verteilung der Steuerlasten auf alle Teile des übernationalen Staatenverbandes zu sorgen haben. Die Erfahrungen grosser Bundesstaaten — wie der USA — mit der Verteilung der Steuerhoheiten könnten solchen neu entstehenden Gebilden zunutze gemacht werden. Auf welchem Wege aber auch der *Ausgleich* der Steuerbelastungen in den einzelnen Ländern herbeigeführt werden sollte, der *Vergleich* der Steuerbelastungen muss vorangehen, um überhaupt wissen zu können, welche Unterschiede bestehen und ausgeglichen werden müssen.

3. *Kreislauf der Vergleichsmethoden*

Abgesehen von der Tatsache, dass im internationalen politischen Gespräch in aller Regel von einer Vergleichbarkeit der Steuerformen und Tarife ausgegangen wird, die in Wirklichkeit keineswegs vorhanden ist, ist man in der Entwicklung von Vergleichsmethoden nach dem ersten Weltkrieg wie heute im Kreise gelaufen [3]). Von

[3]) Siehe dazu: Schmölders, Günter: Der internationale Vergleich der Steuerbelastung, im Manuskript vervielfältigt, Finanzwissenschaftliches Forschungsinstitut, Köln 1951 und:
Kritisches zum internationalen Vergleich der Steuerbelastungen, in: Die Wirtschaftsprüfung, Jg. 1, Heft 7/1948.

naiven Vergleichen der Spitzensätze der Einkommensteuern über Tarifvergleiche und die Errechnung von einfachen und veredelten Lastquoten kam man wieder zu Einzelvergleichen, wobei man dann die typischen Einkommens- und Vermögensstrukturen zu erfassen suchte, um damit einen oder mehrere „repräsentative" Steuerzahler vornehmlich den Gewinn- und Ertragsteuern, eventuell aber auch noch anderen Steuerarten zu unterwerfen. Jedes dieser hier zunächst nur angedeuteten Verfahren bietet besondere Vorteile und Nachteile; von keinem aber kann man sagen, es handele sich um *das* einzige und allein richtige Verfahren, das einen einwandfreien und für alle Zwecke brauchbaren Vergleich der Steuerbelastungen auch nur zwischen zwei Ländern zulasse.

Andere Autoren sahen den Kreislauf der Methoden-Entwicklung als ein Nebeneinander der „steuerstatistischen" und der „steuerrechtlichen" Vergleichsmethode [4]) oder der makroökonomischen „pression fiscal" und des mikroönomischen „prélèvement fiscal" [5]) an, welches sich als Anteil des Staates am Einkommen eines einzelnen Steuerzahlers oder einer Gruppe von Steuerzahlern darstelle. Jedenfalls bedient man sich heute weder allein des Vergleichs der Steuerhöchstsätze nur der einkommens- und vermögensabhängigen Steuern noch allein aller der Methoden, die die Steuerlast aus den Gesamteinnahmen der Staaten und der Berechnungen des Sozialprodukts bestimmen. Vielmehr werden diese letzteren Methoden, so sehr sie auch theoretisch verfeinert und in der praktischen Erhebung vollkommener und einheitlicher gestaltet werden, in zunehmendem Maße durch Herausarbeitung einzelner repräsentativer Fälle auf „steuerrechtlichem" Wege ergänzt.

a) Als in den ersten Nachkriegsjahren, ähnlich wie nach dem ersten Weltkrieg, die Diskussion um die unterschiedliche Steuerbelastung in den verschiedenen Ländern auflebte, setzten sehr oberflächliche Vergleiche bei den Höchstsätzen der Einkommensteuern und der Körperschaftsteuern wiederum ein, eine Methode, die trotz ihrer völlig unzureichenden Aussagefähigkeit auch in jüngeren Untersuchungen immer noch wieder mitauftaucht. So wurde nach dem Kriege betont, dass z.B. die englischen Progressions-Höchstsätze im Kriege mit 97.5 v.H. über denen des deutschen Einkommensteuertarifs lagen; in England sei man also mehr als in Deutschland darauf bedacht gewesen, die Kriegsgewinne abzuschöpfen. Auch heute noch werden Spitzeneinkommen in England im Zusammenwirken von

[4]) Kobler, Marx: Der Begriff der Steuerbelastung und die Methoden ihrer Messung, Zürcher Diss., Frick 1954.

[5]) Visine, François: La Signification des statistiques fiscales et leur utilisation, in: Public finance, Vol. X, Nr. 1, Haarlem 1955.

Income Tax und Surtax mit 92.5 v.H. als Höchst- oder Endsatz des Tarifs versteuert, während die Progressionsspitze in Westdeutschland nach der Steuerreform 1955 bei 55 v.H. liegt. Es ist aber offensichtlich, dass damit noch gar nichts über die Belastung mit Steuern im allgemeinen in einer Volkswirtschaft ausgesagt werden kann. Die eventuell unterschiedliche Erfassung einer kleinen Zahl höchster Spitzeneinkommen kann noch kein repräsentatives Bild für die Belastung der Gesamtwirtschaft abgeben. In der Bundesrepublik ist ausserdem der Endsatz der Progression nicht der Höchstsatz; der liegt vielmehr mit 63,45 v.H. in der Einkommensstufe von 605.000.— bis 614.000.— DM steuerpflichtiges Jahreseinkommen. Stellt man dann in Rechnung, dass die Tarife in ihrem Aufbau in den einzelnen Ländern meist der Einkommensstruktur angepasst sind, so wird offenbar, dass die Spitzensätze des einen Landes im andern vielleicht einfach deshalb nicht vorhanden sind, weil vergleichbare Spitzeneinkommen fehlen.

b) Deshalb wendet sich eine weiter entwickelte Stufe des internationalen Vergleichs der Steuerbelastungen zunächst den ganzen *Einkommensteuertarifen* zu. Auch dieser Vergleich bleibt ohne Aussagekraft, wenn er nur die Anfangs- und Endsätze oder auch die ganzen Progressionskurven betrachtet, ohne dabei die Belastungswirkungen zu berücksichtigen, die sich aus einer unterschiedlichen Höhe der Freibeträge, aus den sozialen Abstufungen und aus der Fixierung der steuerlichen Gewinnbegriffe ergeben. So wurden in England im Haushaltsjahr 1955/56 erneut höhere, stark nach dem Familienstand gestaffelte Freibeträge eingeräumt, durch die allein die für jedes Kind zulässigen Freibeträge von 85 £ auf 100 £ im Jahre ansteigen. Im allgemeinen sind die persönlichen Freibeträge für das Fiskaljahr 1955/56 wiederum um etwa 20 % erhöht worden, nachdem bereits die „Finance Act" 1954 merkliche Erhöhungen der Freibeträge gebracht hatte. In den USA liegen die persönlichen Freibeträge für die Bundeseinkommensteuer bei $ 600 je Person im Jahre, wobei dort noch die Haushaltbesteuerung durch das bekannte „splitting" vermieden werden kann. In der Bundesrepublik Deutschland sind die Freibeträge nach der Steuerreform 1955 auf DM. 900— für den Steuerpflichtigen, ebenfalls DM 900.— für die gemeinsam mit dem Steuerpflichtigen zu veranlagende Ehefrau, je DM 720.— für das 1. und 2. Kind und je DM 1680.— für das dritte und alle weiteren Kinder erhöht worden.

Will man nun aber die dadurch beeinflussten Belastungswirkungen der Steuertarife und -progressionen in den genannten Ländern vergleichen, so steht man der Schwierigkeit gegenüber, den richtigen Wechselkurs zur Umrechnung von der einen Währungseinheit in

die andere zu bestimmen. Einmal werden die Wechselkurse noch immer derart von der Wirtschafts- und Devisenpolitik der Staaten verfälscht, dass sie für die Umrechnung kaum brauchbar sind; zum anderen könnte man zwar diesen Mangel durch die Einschaltung fiktiver Kaufkraftparitäten umgehen, schafft dann aber damit je nach Zusammenstellung der für die Errechnung der Kaufkraftparitäten benutzten Güter und Preise Umrechnungsfaktoren, die wegen der unterschiedlichen Verbrauchsgewohnheiten in den einzelnen Ländern kaum objektive zu fassen sind und deshalb für eine interessenorientierte Beurteilung immer wieder Angriffspunkte bieten.

c) Die Fehler, die bei dem Tarifvergleich auftreten, kann man am besten gleich dadurch ausschalten, dass man nicht mehr die Bruttoeinkommen und die darauf liegenden Abzüge untersucht, sondern die nach Abzug der Steuern verbleibenden *Resteinkommen*. Allerdings müsste man dann versuchen, für die zu vergleichenden Länder Resteinkommenspyramiden aufzustellen, die man anschliessend unter Einschaltung von Umrechnungsfaktoren, die aus Kaufkraftsparitäten gewonnen werden, einander gegenüberstellt. Meist fehlt es aber an ausreichenden statistischen Unterlagen, um vergleichbare Einkommenspyramiden dieser Art auch nur für zwei Länder aufzustellen; denn es müssten ja nicht nur die genauen Einkommenspyramiden, sondern auch deren genaue einkommensteuerliche Erfassungen vorliegen.

Dieser Schwierigkeit gegenüber hilft man sich oft durch das einfache Hineinstellen von einzelnen als beispielhaft angenommenen Einkommensstufen in die verschiedenen Tarife. Ganz ausser acht bleibt dabei aber wiederum die Unterschiedlichkeit der Lebenshaltungskosten, die ja nicht ausschliesslich aus Güterpreisen bestehen, sondern ihrerseits wiederum die „indirekten" Steuern, die Verbrauchsteuern und Zölle beinhalten. Weiterhin fehlen in derartigen Vergleichen meist die vermögensabhängigen Steuern, die in vielen Ländern mit den Einkommensteuern zusammen erst die Gesamtbelastung des „fundierten" Einkommens ausmachen, sei es, dass es sich dabei um laufende Vermögensteuern handelt, oder sei es, dass sogenannte „einmalige Abgaben" verrentet werden und damit dann nur noch bei überformalen Betrachtungen nicht zu den Steuern gerechnet werden, wie etwa die Lastenausgleichsabgaben in Westdeutschland.

Sicherlich kann man bei dieser Vergleichsmethode diese Fehler dadurch ausgleichen, dass man alle Vermögensabgaben als aus den fundierten Einkommen zu tragen in die steuerlichen Belastungen der Einkommen einbezieht. Alle übrigen Steuern, nämlich die Bela-

stungen der Güterpreise mit Zöllen und Verbrauchsteuern und anderen Steuerarten, müssten dabei ebenfalls als Verminderung der Einkommen auf den einzelnen Stufen zum Abzug gebracht werden. Hier erhebt sich dann einmal die Frage nach der Regressionswirkung der indirekten Steuern; diese müsste durch unterschiedliche Belastung der einzelnen Einkommensstufen mit diesen Steuern berücksichtigt werden. Andererseits müssten dann aber die Resteinkommenspyramiden verschiedener Länder in den einzelnen Stufen — wobei die Abgrenzung der Stufen ohnehin ein Problem für sich wäre — mit jeweils für die einzelne Stufe besonders zu berechnenden Kaufkraftparitäten einander gegenübergestellt werden; denn die Verbrauchsgewohnheiten in den einzelnen Einkommensschichten sind nicht nur von Land zu Land verschieden. Die Preisrelationen der Güter verschieden hohen Verarbeitungsgrades und der verschiedenen Bedarfsschichten sind es ebenfalls.

d) Alle diese hier angeschnittenen Fragen zeigen, dass der Tarifvergleich nur mit sehr komplizierten Verfahren — die deshalb aber gleichzeitig viele Fehlerquellen beinhalten und dadurch sehr angreifbar werden — zu repräsentativen Ergebnissen geführt werden kann. Der Wunsch, diese Mängel zu umgehen oder zu beseitigen, führt dann aber zum Vergleich nicht mehr allein der Tarife der gewinnabhängigen Steuern sondern der *ganzen Steuersysteme*. Das aber ist der Übergang zu einer allgemeinen Belastungsvorstellung, die sich weniger an die Einkommen einzelner Steuerpflichtiger oder auch einzelner Einkommenschichten anlehnt als vielmehr an die Volkswirtschaft als Ganzes; sie bedient sich deshalb mit grösserer Genauigkeit der volkswirtschaftlichen Gesamtrechnungen als irgendwelcher statistischen Erfassungen durchschnittlicher Steueranteile in den Güterpreisen einerseits und durchschnittlicher Ertrags-Vorwegnahme durch den Staat und dessen untergeordnete Gebietskörperschaften andererseits. Auf diese Weise ist es möglich, eine ganze Reihe von Fehlerquellen für eine so globale Feststellung von vornherein auszuschalten: die Auswahl repräsentativer Einkommensstufen und der tatsächlichen Steuereinkünfte aus diesen einzelnen Einkommensstufen entfällt, alle legalen und illegalen Steuervermeidungen brauchen nicht besonders berücksichtigt zu werden, da ohnehin nur tatsächliche Einnahmen der öffentlichen Kassen und keine fiktiven, lediglich im Tarif gesetzlich festgelegte Belastunngen in die Berechnung einbezogen werden. Der Grad der tatsächlichen Erfüllung der gesetzlichen Vorschriften wird also automatisch berücksichtigt. Und zuletzt erfasst man nicht nur die Belastung mit den gewinnabhängigen, sondern mit allen vorhandenen Steuern und Zöllen.

Einen weiteren, im Prinzip nicht zu unterschätzenden Vorteil bietet diese Art des Vergleichs dadurch, dass alle die oben erwähnten Schwierigkeiten bei der Wahl des oder der richtigen Umrechnungsfaktoren aller Währungen der zu vergleichenden Länder auf einen einheitlichen Vergleichmaßstab überhaupt entfallen; denn jetzt wird für jedes Land die Steuerbelastung durch das Verhältnis der gesamten Einnahmen aus Zwangsabgaben einerseits zum Sozialprodukt andererseits ausgedrükt. Dabei steht aber sowohl im Nenner wie im Zähler dieses Bruches oder dieses Verhältnisses die heimische Währungseinheit; um diese ist der Ausdruck dann zu kürzen und man gewinnt eine absolute, von der Währungseinheit losgelöste Belastungsangabe, die mit den entsprechenden errechneten Belastungen anderer Volkswirtschaften unmittelbar, ohne Umrechnung über Wechselkurse oder Kaufkraftparitäten verglichen werden kann.

aa) Dieses Verfahren, das heute meist verwendete und gebräuchliche, scheint in diesen so berechneten sogenannten *„relativen Lastquoten"* einen Ausdruck der Steuerbelastungen gefunden zu haben, der allen anderen Verfahren wegen des methodisch richtigen und theoretisch einwandfreien Ansatzes der Berechnungen überlegen ist.

Das ist auch bis zu einem gewissen Grade sicherlich der Fall. Die Vorzüge dieser Methode gegenüber den vorhergenannten liegen auf der Hand. In der praktischen Durchführung ist man jedoch dafür andererseits auf die in den einzelnen Ländern sehr unterschiedlich aufgebauten volkswirtschaftlichen Gesamtrechnungen angewiesen. Für den Vergleich können sich daraus nicht unwesentliche Fehler ergeben, ganz abgesehen von der Tatsache, dass in den verschiedenen Ländern und von verschiedenen Autoren oft ganz andere Begriffsvarianten des volkswirtschaftlichen Gesamteinkommens bezw. dessen produktionsstatischen Gegenüber, dem Sozialprodukt, gebraucht werden. In der Diskussion um den für diese Zwecke am besten geeigneten Begriff des Volkseinkommens rückte das „Nettosozialprodukt zu Faktorkosten" in der letzten Zeit in den Vordergrund. Schmölders [6]) und Strathus [7]) haben sich dieser Größe im Anschluss an die vom „Statistical Office of the United Nations" gegebenen Empfehlungen zur Koordinierung der volkswirtschaftlichen Gesamtrechnungen in den einzelnen Ländern bedient.

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[6]) Schmölders, Günter: a.a.O. und: Die Begriffe „Sozialprodukt" und „Volkseinkommen", als Manuskript vervielfältigt, Finanzwissenschaftliches Forschungsinstitut, Köln, 1951.

[7]) Strathus, Heinrich: Internationaler Steuerbelastungsvergleich, Schriftenreihe der Deutschen Europa-Akademie, Heft 13, Frankfurt am Main, 1952.

Das wird aber durchaus noch nicht einheitlich so gehandhabt. Mißt man doch in jüngeren Publikationen die Steuerbelastung unabhängig davon auch noch an allen anderen Sozialprodukts-bestimmungen, so z.B. Visine im Anschluss an die Arbeiten der „Division des Statistiques et des Comptes Nationaux de L'OECE" (OEEC) am Brutto-Sozialprodukt zu Marktpreisen [8]). Andererseits macht die einheitliche Bestimmungsmethode dieser Gesamtzahlen sicherlich in den letzten Jahren Fortschritte, dürfte aber dennoch weit von jenem Stand entfernt sein, der mit Sicherheit unangreifbare Ergebnisse verspricht. Die Verwendung einer einheitlichen Methode vermag auch noch lange nicht die Vergleichbarkeit der Rechnungsgrundlagen herzustellen, die mit sehr unterschiedlich ausgebauten und funktionierenden statistischen Apparaten in den einzelnen Ländern erarbeitet werden.

So werden in einer ganzen Reihe von Ländern wesentliche Daten, aus denen sich die volkswirtschaftliche Gesamtrechnung ergibt, im Wege der Schätzung bestimmt und man kann sich oft beim Studium der sich widersprechenden Angaben des Eindrucks nicht erwehren, dass man im doch recht weiten Spielraum der Schätzungsfehler mit sehr unterschiedlichen Ergebnissen der Gesamtrechnungen operiert, je nachdem ob man diese Ergebnisse in der internationalen politischen Diskussion zum Nachweis der hohen Steuerbelastung im eigenen Lande gebraucht oder aber ob man sie für eigene Zwecke benötigt, die klare und verlässliche Ergebnisse verlangen. Denn die Steuerlast erscheint natürlich um so höher, je niedriger die Bezugsgrösse, das Volkseinkommen, angesetzt wird und um so niedriger, je grösser das Volkseinkommen berechnet wird.

In der folgenden Tabelle sind die relativen Lastquoten für einige Länder anhand des statistischen Materials, das der „International Monetary Fund", Washington, zur Verfügung stellt, errechnet worden.

Schon dabei ergibt sich keine einwandfreie Vergleichbarkeit, da z.B. für Grossbritannien nicht das „Volkseinkommen" (Nettosozialprodukt zu Faktorkosten) vorliegt, sondern ein in besonderer Weise errechnetes „Gross National Product", das aber auch wohl durch sehr hoch veranschlagte Absetzungen für Wertberichtigungen der Anlagen und Vorräte zu einer relativ kleinen Bezugsgrösse absinkt und deshalb die Belastung recht hoch erscheinen lässt. Solche Vergleichsrechnungen bekommen aber in dem Maße eine höhere und weitreichende Bedeutung, wie sie in internationalen Verträgen mehr und mehr zur Grundlage von Lastenverteilungen gemacht werden. Das gilt um so mehr, als bei der Auswahl der statistischen Daten

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[8]) Siehe Visine, François a.a.O.

Tabelle 1

RELATIVE LASTQUOTEN [1])

	1948	1949	1950	1951	1952	1953
Grossbritannien (in Mill. £)						
Einnahmen	4150	4097	4156	4621	4633	4921
Ausgaben	3800	4025	3881	4774	5137	5226
Brutto Sozialprodukt	10250	10670	11545	12715	13738	14796
Belastung in % [2])	40.5	38.4	36.0	37.5	37.4	35.3
U.S.A. (in Mrd. $)						
Einnahmen	45,36	41,58	40,94	53,40	68,02	71,29
Ausgaben	36,50	40,58	43,16	45,80	67,96	76,56
Volkseinkommen	221,60	216,20	240,00	277,00	291,00	305,00
Belastung in % [2])	20.5	19.2	18.0	19.3	23.4	25.1
Frankreich (in Mrd. ffr.)						
Einnahmen	1010	1498	1939	2346	2737	3020
Ausgaben	1793	2173	2546	2849	3609	3837
Volkseinkommen	5430	6539	7117	9160	10310	10470
Belastung in % [2])	33.0	33.2	35.8	31.1	35.0	36.6
Italien (in Mrd. Lire)						
Einnahmen	895	1037	1197	1510	1795	2009
Ausgaben	1450	1482	1657	1915	2327	2546
Volkseinkommen	5943	6227	6831	7852	8268	8967
Belastung in % [2])	24.4	23.8	24.3	24.4	28.1	28.4
Niederlande (in Mill. hfl.)						
Einnahmen	—	4090	4602	5280	5766	5722
Ausgaben	—	4342	4739	4948	4956	5463
Volkseinkommen	—	14140	15660	16940	17650	19360
Belastung in % [2])	—	30.7	30.3	31.2	32.7	29.6
Bundesrepublik Deutschland (in Mrd. DM)						
Einnahmen	—	—	—	16,08	20,44	21,71
Ausgaben	—	—	—	16,76	19,70	20,38
Volkseinkommen	—	—	—	89,90	98,10	103,00
Belastung in % [2])	—	—	—	18.6	20.8	21.1

[1]) Nach: International Financial Statistics, herausgegeben vom International Monetary Found, Washington.

[2]) Belastung jeweils der grösseren Seite des Budgets.

für einen derartigen Vergleich sehr oft nur solche genommen werden, die eine bestimmte Belastungsvorstellung bestätigen; es ist meist die nicht ausreichende Kenntnis der besonderen Verhältnisse in den einander gegenübergestellten Ländern, die zu der unzureichenden Auswahl des statistischen Materials führt. Beispielsweise erscheint die Bundesrepublik Deutschland immer wieder in internationalen Vergleichen trotz ihres betont föderalen Staatsaufbaues nur mit den Ausgaben oder Einnahmen der Zentralgewalt des Bundes. Dabei bekommt der Bund auch heute erst 38 % der Einnahmen aus der Körperschaftsteuer und der Einkommensteuer, während die Länder 62 % für sich behalten. Ähnlich verhält es sich bei den anderen Staaten, die den Schwerpunkt ihrer Verwaltung und ihrer Hoheitsaufgaben auf der Ebene der untergeordneten Gebietskörperschaften haben, wie z.B. bei den USA.

Für die Bundesrepublik Deutschland ergibt sich durch die Berücksichtigung aller Länder- und Gemeinde-Steuereinnahmen schon ein wesentlich anderes Bild als das in der Tabelle 1 angegebene, das aber typisch für die meisten Darstellungen dieser Art ist. Während sich die Steuerbelastung durch die Zentralgewalt in einer Grössenordnung um rund 20 % des Volkseinkommens bewegt, steigt sie bei Einschluss der übrigen Steuern schon auf rund 30 bis 35 %.

Tabelle 2

BUNDESREPUBLIK DEUTSCHLAND
STEUEREINNAHMEN ALLER GEBIETSKÖRPERSCHAFTEN
(in Mrd. DM)

	Kalenderjahr			
	1950	1951	1952	1953
Kassenmässige Steuereinnahmen des Bundes, der Länder und der Gemeinden . .	21.08	27.28	32.99	36.28
Netto-Sozialprodukt zu Faktorkosten (Volkseinkommen)	71.52	89.86	98.07	103.04
Belastung in %	29.5	30.4	33.06	35.2

bb) Weiterhin erhebt sich gegen den Vergleich der reinen Steuerbelastungen der Einwand, dass die besonderen Verhältnisse in den einzelnen Ländern auch in dieser Hinsicht nicht genügend berücksichtigt werden, sondern den *Einschluss weiterer,* nichtsteuerlicher Lasten, die aber ebenfalls *Zwangsabgaben* sind, notwendig machen. Das gilt zumal für die längst nicht mehr dem Versicherungsprinzip folgenden *Sozialversicherungen.* In Westdeutschland werden z.B.

noch andere Belastungen der Wirtschaft und des Steuerzahlers, wie die Bergarbeiter-Wohnungsabgabe und der gesamte Lastenausgleich nicht ohne weiteres zur steuerlichen Belastung gerechnet, obwohl die Wirkungen dieser Zwangsabgaben ganz eindeutig auf der gleichen Ebene wie die der Steuer liegen. In Frankreich bestehen ebenfalls eine ganze Reihe „parafiskalische" Abgaben, die ohne Zweifel Steuercharakter tragen. Die öffentliche Einnahme-Politik weicht in ihrer jüngsten Entwicklung im Gegensatz zu den traditionellen Grundsätzen der Finanzwissenschaft von nicht zweckgebundenen Steuereinnahmen auf Verwendungszwecksteuern aus. Eklatante Beispiele dafür sind die Zuschläge auf landwirtschaftliche Erzeugnisse für die Kinderbeihilfen in Frankreich oder auch das Notopfer Berlin und die Bergarbeiter Wohnbau-Abgabe in der Bundesrepublik Deutschland. Nur durch klare Bindung des Aufkommens an einen solzial-anerkannten Verwendungszweck — wenigstens bei der Neueinführung der Steuer — kann man dem Steuerzahler noch neue Belastungen schmackhaft machen, ohne damit auf unüberwindliche Steuerwiderstände zu stossen. Mit der Verwendungszwecksteuer erweist die finanzwirtschaftliche Praxis der „psychologischen Komponente" im Wirtschaftsleben gewissermassen ihre Ehrerbietung, noch bevor die Theorie diesen Vorgang in das klassische Gebäude der vom Non-Affektationsprinzip beherrschten Haushaltsgrundsätze einzuordnen weiss. Dennoch müssen die ganz offenbar nur unter einem anderen Namen laufenden Zwangsabgaben, deren Zahl sich in allen Staaten zu erhöhen beginnt, ebenso zur Steuerlast gerechnet werden, wie die ausdrücklich als Steuern bezeichneten klassischen Steuerarten.

Im Bereiche der Sozialbelastungen sind ohnehin durch die in den einzelnen Ländern sehr verschiedenen Formen, in denen sich der Staat jeweils der sozialen Belange annimmt, Störungen der Vergleichbarkeit gegeben, die nicht zu unterschätzen sind. Wenn Länder — wie Schweden oder Großbritannien — einen staatlichen Gesundheitsdienst aus den allgemeinen Steuermitteln für ihre Untertanen unterhalten, so werden doch dafür Leistungen geboten, die in anderen Ländern — ausser der Steuerbelastung — aus der Tasche des einzelnen Steuerzahlers betritten werden müssen; die in diesen Staaten vielleicht hinter der englischen oder schwedischen zurückbleibende steuerliche Belastung ist deshalb noch keineswegs als echter Ausdruck höher steuerlicher Leistungsfähigkeit anzusprechen.

Damit zeichnet sich aber schon ein neuer Einwand gegen den schematischen Vergleich der Lastquoten ab, selbst wenn sie die Steuer- und Sozialbelastung umfassen; wie hier bei den Sozialausgaben muss auch die Struktur der übrigen Ausgaben untersucht werden, inwieweit diese den Steuerpflichtigen wiederum zugute

kommen und ihm Aufgaben abnehmen, die er sonst selbst aus seinem Einkommen zu bezahlen hätte. Darauf wird noch zurückzukommen sein. Vorerst zeigt die folgende Tabelle 3, wie hoch die Lastquoten in der Bundesrepublik Deutschland bei Einbeziehung der Soziallasten, die auf Arbeitnehmer und Arbeitgeber liegen, sind. Es handelt sich dabei lediglich um die Aufwendungen zu den gesetzlichen Sozialversicherungen.

Tabelle 3

BUNDESREPUBLIK DEUTSCHLAND
STEUER- UND SOZIALBELASTUNG DES VOLKSEINKOMMENS
(„relative Lastquote")
(in Mrd. DM)

	Kalenderjahre		
	1950	1951	1952
1) Kassenmässige Steuereinnahmen des Bundes der Länder und Gemeinden	21.08	27.28	32.99
2) Sozialversicherungsbeiträge der Arbeitnehmer und Arbeitgeber	7.03	8.47	9.48
3) Steuer- und Soziallasten	28.11	35.75	42.47
4) Netto-Sozialprodukt zu Faktorkosten (Volkseinkommen)	71.52	89.86	98.07
Steuer- und Sozialbelastung in % des Volkseinkommens	39.3	39.8	43.3

Jüngere Vergleiche, wie z.B. die Untersuchungen von Strathus [9]), berücksichtigen deshalb nicht nur die Soziallasten ausser den Steuern, sondern rechnen die Subventionen als negative indirekte Steuern wieder dem zur Verfügung bleibenden Einkommen hinzu. Strathus kommt damit zu den Belastungen des Nettosozialproduktes zu Faktorkosten, die in Tabelle 4 dargestellt sind.

Damit sind dann zwar die besonderen Verhältnisse der einzelnen Länder bei Anwendung der steuerstatistischen Methode *besser* erfasst als bei den bisher aufgezeigten Verfahren. Einen durchaus einwandfreien Vergleichsmaßstab hat man dadurch aber noch keineswegs in Händen. Es ist nämlich ja auf steuerlichem Gebiet doch so, dass man dem einzelnen Steuerzahler in allen modernen

[9]) Strathus, Heinrich: a.a.O. und: Grundlagen für die Bemessung der westeuropäischen Verteidigungsbeiträge, Bonn 1953.

Tabelle 4

Fiskaljahre:	1949 bzw. 1949/50	1950 bzw. 1950/51	1951 bzw. 1951/52	1952 bzw. 1952/53
1. Großbritannien	37,8	37,3	39,8	41,6
2. Frankreich	31,7	36,6	35,6	35,4
3. Italien	28,0	27,0	29,2	29,8
4. Belgien	29,9	28,3	31,7	32,7
5. Niederlande	41,1	37,2	41,5	40,3
6. Dänemark	23,5	22,8	24,5	24,7
7. Norwegen [1]	25,9	25,4	27,0	28,6
8. Bundesrepublik Deutschl.	38,7	36,1	39,4	42,2

[1]) 1949 bis 1951 Kalenderjahre, 1952—53 Fiskaljahre.

Industrieländern, dem Grundsatz der Besteuerung nach der Leistungsfähigkeit folgend, bei unterschiedlicher Einkommenshöhe auch unterschiedliche relative Belastungen aufbürdet. Denn mit steigendem Einkommen nimmt die steuerliche Leistungsfähigkeit nicht nur absolut sondern auch relativ zu. Das besagt das in allen modernen Staaten anerkannte Prinzip der Steuerverteilung nach der „ability to pay", die sich wiederum nach den Theorien des „gleichen", des „proportionalen" oder des „geringsten Opfers" richtet, aber doch in jedem Falle zu einer progressiven Erfassung höherer Einkommensteile durch die Steuer führt [10]). Ausserdem in allen hochzivilisierten Staaten Arbeitseinkommen geringer als durch Vermögen „fundiertes" Einkommen belastet [11]). Diesem mißt man eine höhere Leistungsfähigkeit zu.

Auf die These von der zunehmenden steuerlichen Leistungsfähigkeit bei steigendem Einkommen stützen sich in fast allen Ländern der Welt die Institutionen des steuerfreien Existenzminimums, der Freibeträge, die bei den gewinnabhängigen Steuern, aber auch bei den Vermögensteuern und Erbschaftsteuern dem Steuerpflichtigen eingeräumt werden, und zumal der Progressionstarife bei den Einkommensteuern natürlicher Personen. Sobald jedoch Steuerpflichtige auf verschiedenen Seiten einer politischen Grenze miteinander verglichen werden sollen, wird das meist alles ausser acht gelassen. Dabei liegen die Pro-Kopf-Raten des Volkseinkommens

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[10]) Siehe dazu Dalton, Hugh: Principles of Public Finance, 5. Auflage, London 1929, S. 89 ff.

[11]) Ein internationaler Vergleich der besonderen Behandlung des Arbeitseinkommens in verschiedenen Ländern wurde vom Bundesministerium der Finanzen durchgeführt: Der Steuerabzug vom Arbeitslohn in der Deutschen Bundesrepublik, in Belgien und den USA unter besonderer Berücksichtigung des britischen Lohnsteuerabzugsverfahrens, Finanzberichte Nr. 9, Bonn 1953.

in den verschiedenen Ländern auf sehr verschiedener Ebene. Über die Paritäten auf US-$ umgerechnet, ergibt sich z.B. für die in der Tabelle 1 verglichenen Länder folgende Staffelung der Anteile des Sozialproduktes je Kopf der Bevölkerung:

	Volkseinkommen je Kopf in 1953 in $
Großbritannien	815
USA	1897
Frankreich	696
Italien	304
Niederlande	483
Westdeutschland	498

Es liegt auf der Hand, dass „Steuerpflichtige" auch wenn es sich um ganze Nationen handelt, die ein so unterschiedliches „Einkommen" beziehen, nach den heutigen Anschauungen über die Verteilungsgerechtigkeit von öffentlichen Lasten keineswegs mit einem gleichen Satz zur Tragung dieser Lasten herangezogen werden dürfen; kein Einkommensteuertarif würde das tun. Dennoch ging die Diskussion um die Verteilung der Verteidigungslasten in den NATO-Ländern lange Zeit von dem Grundsatz aus, dass jedes Land in einem bestimmten, gleichen Prozentsatz seines Volkseinkommens Verteidigungsaufwendungen zu machen habe.

Darüber hinaus ist mit der Pro-Kopf-Rate des Volkseinkommens noch gar nichts Endgültiges über die steuerliche Leistungsfähigkeit ausgesagt; sie ist vielmehr nur erster grober Anhaltspunkt. Genaueres lässt sich erst zur Leistungsfähigkeit sagen, wenn man nicht nur einen „internationalen Einkommensteuertarif" mit üblicher Progression auf die unterschiedlichen Einkommenshöhen je Kopf in den einzelnen Ländern anwendet, sondern wenn man auch die „Familienverhältnisse", die „ausserordentliche Belastung" und alle sonstigen üblichen Berücksichtigungen der „persönlichen Verhältnisse" der steuerpflichtigen Nation — wie sie bei jeder Einkommensbesteuerung Gang und Gäbe sind — in Rechnung stellt. Das bedeutet aber, dass man auch auf der internationalen Ebene den einzelnen „Steuerpflichtigen" vorab „Freibeträge" einräumen müsste, die aber insofern von den entsprechenden Freibeträgen einer Einkommensteuer für natürliche Personen abweichen, als sie im internationalen Raum die Gesamtstruktur der Bevölkerung, also sowohl das Verhältnis von Erwerbstätigen zur Nichterwerbstätigen, der Anteil der zu unterstützenden Alten, Kranken, Arbeitslosen und auch der Flüchtlinge, solange sie sich nicht aus eigener Kraft wieder eine neue Lebensmöglichkeit geschaffen haben, zur Bestimmung dieses „Freibetrages" heranziehen müsste. Dieses Ziel könnte man nun

wieder durch bereinigte oder veredelte Pro-Kopf-Sätze des Volkseinkommens und darauf bezogene Lasten zu erreichen suchen, indem man etwa nur das Volkseinkommen je „Erwerbsperson" oder je Steuerpflichtiger feststellt und die Steuerbelastung ebenfalls auf diesen Teil der Bevölkerung bezieht. Aus beiden ergibt sich dann z.B. eine steuerliche Belastung des Volkseinkommens je Erwerbsperson oder je Steuerpflichtiger.

Man verfeinert damit aber nur die Lastquoten bis zu einem solchen Grad, dass der steuer*rechtl*iche Vergleich bald wieder besser zu dem angestrebten Ziele führt. Wie das geschehen kann, wird gleich noch zu behandeln sein. Hier sollte aber zunächst einmal zusammengefasst werden, welche Veränderungen bei den groben Steuerlastquoten notwendig würden, wenn man alle die aufgezählten Gründe berücksichtigen wollte, die eine Berichtigung der Lastquoten verlangen, aber keineswegs einen Anspruch auf Vollständigkeit erheben können.

e) Zunächst ist die in Beziehung zu setzende Grösse, die gesamten staatlichen Einnahmen, zu untersuchen, inwieweit sie tatsächlich als „Belastung" im Sinne der Beanspruchung des privaten Einkommens durch die öffentliche Hand anzusehen ist. Dabei wird die Grenzziehung zwischen Zwangsabgaben verschiedener Art nicht immer einfach sein. Die Entscheidung darüber, welche Art von Zwangsabgaben tatsächlich als Belastung anzusehen sind und welche lediglich als Aufgabenübertragung auf eine öffentliche Körperschaft aufzufassen sind, die andererseits den Steuerzahlern wieder zugute kommt, kann dann nur unter Zuhilfenahme einer *Analyse der Ausgabenstruktur* vorgenommen werden. Abgesehen von den praktischen Schwierigkeiten, die sich aus der Unvergleichbarkeit der Staatshaushalte und der nationalen Rechnungslegungen ergeben, treten auch dann noch Zweifelsfragen bei der Zuordnung einzelner Zwangsabgaben zu den belastenden oder zu den nicht belastenden „Steuern" in diesem Sinne auf. Für die Subventionen — wie schon angeführt — ist man z.B. der Ansicht, dass sie eine echte Verminderung der steuerlichen Belastungen in einem Staate darstellen. Die Sozialversicherungen dagegegen werden als Lasten betrachtet, obwohl sie sicherlich wenigstens zu einem Teil noch als tatsächliche Versicherungen auftreten, d.h. dass sie teilweise den Abgabenpflichtigen als Ganzes greifbare Gegenleistungen an einzelne natürliche Personen gewähren, die sonst aus der eigenen Tasche der Steuerpflichtigen zu bestreiten wären. Richtiger wäre es demnach, nur den Teil der sozialen Lasten als Belastung anzusprechen, der nicht mehr reinen Versicherungscharakter trägt, sondern der als Fürsorge-Aufwand anzusehen ist. —

Geht jedoch der Sozialaufwand in einem Staate soweit, dass der

ganze Gesundheitsdienst „verstaatlicht" wurde und jedem Staatbürger kostenlos (oder nur gegen eine geringe Verwaltungsgebühr) zur Verfügung gestellt wird, so ist das sicherlich wiederum — im Gegensatz zu der üblichen Einordnung der Sozialversicherungslasten — als Entlastung des Steuerpflichtigen in dem betreffenden Lande anzusehen. Diese Behandlung der staatlichen Gesundheitsaufwendungen ist aber nicht völlig exakt: auch hier wäre sinngemäss wie bei der Sozialversicherung (wenn auch mit anderen Vorzeichen, da die Sozialversicherung in erster Linie als Zahlung des Steuerpflichtigen empfunden wird, während beim staatlichen Gesundheitsdienst der Natural-Zuschusscharakter für den Staatsbürger überwiegt) eine Aufteilung in tatsächliche Entlastung des Staatsbürgers und in den Teil der aus den Steuereinnahmen zu deckenden Aufwendungen notwendig, die aus dem besonderen Charakter staatlicher Tätigkeit gegenüber privater gleichartiger Betätigung als zusätzliche „Reibungsverluste" anzusprechen sind.

Demnach erweist sich schon der Nenner der Lastquote, als ein vielgestaltiger Ausdruck, der offenbar in der mathematischen Zusammenfassung zu einem Zahlenausdruck sehr oft von allem dem befreit wird, was eigentlich hinterher zur Aussagefähigkeit unentbehrlich ist. Es lässt sich deshalb bei einer von Ernst und Verantwortungsbewusstsein getragenen Untersuchung dieser Probleme nicht vermeiden, trotz der eleganten Zusammenfassung der Zahlen zu einer Summe, die Ausgangswerte mit ihren Besonderheiten mit zu erklären. Die Untersuchung der *Struktur* sowohl der *Einnahmenseite des Staatsbudgets* (und zwar eines konsolidierten Budgets aller Träger hoheitlicher Aufgaben) wie auch der *Ausgabenseite* ist unvermeidlich, wie die Beispiele von Sozialversicherung und Gesundheitsdienst zeigten.

Werden aber Einnahmen und Ausgaben auf diese Weise analysiert — und dazu ist allerdings eine ganz eindringliche Kenntnis der besonderen Verhältnisse in jedem einzelnen Land erforderlich, die leider bei der hohen Spezialisierung der Berufe selbst für nur ein Land kaum noch in einer Person vereinigt sein kann — so schmelzen die Staatshaushalte auf der Einnahmen- und der Ausgabenseite soweit zusammen, dass letztlich vielleicht nur noch Verwaltungsaufwand (in weitestem Sinne einschliesslich aller typischen „Reibungsverluste" öffentlicher Tätigkeit bei Sozialversicherungen, Versorgungsunternehmen u.a. Einrichtungen) und Aufwendungen für Rechtspflege und Verteidigung übrig bleiben [12]).

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[12]) Zu diesem Schluss kommt auch Kobler (a.a.O.) im Anschluss an Bickel (Das Problem der Steuerbelastung in der Schweiz, Basler Nachrichten v. 12./13.7. 1952 zit. bei Kobler a.a.O., S. 115) hinsichtlich der Ausgabenseite des Etats, von

Ein weiteres, noch nicht berührtes Problem des richtigen Herausschälens vergleichbarer Belastungssummen aus der öffentlichen Einnahmen- und Ausgabengebarung ist das der Behandlung von unausgeglichenen (sowohl im positiven wie in negativen Sinne) Budgets. In Tabelle 1 ist jeweils die grössere Seite des Etats dem Volkseinkommen gegenübergestellt worden. Das ist zweifellos eine sehr grobe und vereinfachende Methode, die aber dennoch nicht ohne Berechtigung ist. Wirken sich doch einerseits Einnahmeu-Überschüsse als direkter Kaufkraftentzug für den privaten Sektor einer Volkswirtschaft aus, während Ausgabenüberschüsse, finanziert durch Ausdehnung des Geldvolumens, einer Erhöhung der indirekten Steuern gleichkommen. Wird dagegen die Mehrausgabe auf andere Weise gedeckt, etwa durch Aufnahme einer Anleihe im Ausland, so braucht diese Wirkung nicht einzutreten. Daraus ergibt sich, dass also genau genommen auch die Analyse der Einnahmenstruktur und deren Einflussnahme auf das Geld- und Kreditvolumen für die Bestimmung der Gesamtbelastungssumme einer Volkswirtschaft herangezogen werden müsste.

f) Zur *Bezugsgrösse*, dem Volkseinkommen, ist zusammenfassend zu sagen, dass hier — abgesehen von den erwähnten Schwierigkeiten der Volkseinkommens-Berechnung und der Vereinheitlichung dieser Berechnungen sowie der Wahl des geeigneten Ausdrucks der gesamtwirtschaftlichen Rechnungen — von den wenig über die steuerliche Leistungsfähigkeit aussagenden Gesamteinkommen zu noch weiteren, über die Pro-Kopf-Rate hinausgehend veredelten spezifische Einkommensgrössen übergegangen werden muss, so dass die Grundsätze der Besteuerung nach der Leistungsfähigkeit, wie sie in jedem Steuersystem dem einzelnen Steuerpflichtigen gegenüber gehandhabt werden, auch für die Verteilung von Lasten zwischen den Nationen maßgebend werden. „Es ist nicht einzusehen, warum es im internationalen Finanzausgleich, zu dem das europäische Verteidigungsproblem uns zwingt, grundsätzlich anders sein sollte als in der inneren Besteuerung; die Leistungsfähigkeit für die Teilnahme einzelner Länder an der Tragung der anfallenden Gemeinlasten bestimmt sich ebenso nach ihren volkswirtschaftlichen Verhältnissen wie die steuerliche Leistungsfähigkeit jedes einzelnen Zensiten nach seiner besonderen privatwirtschaftlichen Situation" [13]). Würde man das nicht anerkennen, so würden ja doch damit alle die politischen Grundsätze infrage gestellt, die auch über die Grenzen eines Landes

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der im wesentlichen die Ausgaben für die Landesverteidigung und die Rechtspflege verbleiben würde.

[13]) Schmölders, Günter: Der internationale Vergleich der Steuerbelastung, a.a.O., S. 14.

hinaus und unabhängig von der einzelnen politischen Organisation den Menschen in allen Ländern eine Gleichordnung nebeneinander und nicht eine Über- und Unterordnung zuerkennen; auf dem Umwege eine Beschränkung der Besteuerungsgrundsätze auf die Landesgrenzen würde auf kaltem Wege eine Diskriminierung der Bevölkerungen bestimmter Staaten gegenüber anderen wiedereingeführt werden.

Bringt man nun die nach den oben angegebenen Grundsätzen errechnete Belastungssumme einer Volkswirtschaft zu der veredelten spezifischen Volkseinkommenszahl (je Kopf, je Erwerbsperson oder je Steuerpflichtiger) in Beziehung, so ist damit noch immer keine vollendete Vergleichbarkeit hergestellt, selbst wenn man diese veredelte Zahl mit aller möglichen Genauigkeit, die vielleicht sogar noch Rücksicht auf den Altersaufbau der Erwerbstätigen oder der Steuerpflichtigen nimmt, bestimmt hat. Aus den allgemeinen Besteuerungsgrundsätzen in allen modernen Staaten ergibt sich nämlich noch der Tatbestand, dass unfundiertes Einkommen geringer zur allgemeinen Lastentragung herangezogen wird als fundiertes. Dementsprechend kann man auch Lastenverteilungen zwischen den Nationen nicht nur am Einkommen orientieren; es ist zu berücksichtigen, in welchem Maße jeweils Volksvermögen hinter dem Volkseinkommen steht. Es dreht sich also nicht nur um quantitative Einkommensunterschiede, die für die Bemessung einer internationalen oder supranationalen Last ausschlaggebend sein sollen, sondern auch um qualitative Einkommensunterschiede, wie sie im Steuerrecht aller Länder durch Zu- oder/und Abschläge vom Steuersatz, durch besondere steuerliche Belastungen des Vermögens oder auch durch Vergünstigungen für das „enarned income" berücksichtigt werden. Dafür aber fehlen zur Zeit noch überwiegend die statistischen Grundlagen, die eine vergleichbare Feststellung über die Volksvermögen zuliessen. Doch ist hier die Möglichkeit gegeben, eine ganz notwendige Verbesserung des Lastquotenvergleichs in der Zukunft zu erarbeiten.

g) Unabhängig davon wird sich sehr vieles auch aus einem weiteren Ausbau der *steuerrechtlichen Vergleichsmethode* für den internationalen Steuerbelastungsvergleich ergeben. In Vorstehendem war bereits gezeigt worden, wie sehr sich die steuerstatistische Methode mit Lastquotenvergleich in veredelter Form der steuerrechtlichen Methode annähert. Hat man einmal die Belastung mit Abgaben um die wieder zur Verfügung gestellten Staatsleistungen bereinigt und nur noch auf das Volkseinkommen je Erwerbsperson oder je Steuerpflichtiger bezogen, so gerät man jetzt in den Bereich so allgemeiner Aussagen, die wiederum ein nur sehr vages Bild

über die verhältnismässige tatsächliche Steuerbelastung einzelner Steuerzahler im Vergleich zu anderen im eigenen Lande und in fremden Staaten abgeben. Dadurch wird es dann für den Zweck, einzelne Wirtschaftszweige oder auch einzelne Unternehmen mit anderen ausländischen Wirtschaftszweigen oder Unternehmen, mit denen sie im Wettbewerb stehen, zu vergleichen, unvergleichlich viel besser sein, typische Unternehmen oder Wirtschaftszweige in den zu vergleichenden Staaten zu bilden und diese dann den verschiedenen Besteuerungen zu unterwerfen.

Vielfach ist das bereits geschehen [14]), dennoch sind auch bei dieser Vergleichsform Verbesserungsmöglichkeiten vorhanden; man sollte nämlich nicht nur typische Unternehmen oder Steuerzahler eines Landes den Besteuerungen des eigenen Landes und der Vergleichsländer unterwerfen, sondern auch dann die Unterschiede zwischen den entsprechenden typischen Unternehmen der zu vergleichenden Länder in ihren Auswirkungen auf den Vergleich berücksichtigen. Will man z.B. die steuerliche Belastung eisenverarbeitender Unternehmen in zwei Ländern miteinander vergleichen, so ist es für diesen Vergleich nicht unbedeutend, wenn es im einen Land nur Klein- und Mittelbetriebe, im anderen aber überwiegend Großbetriebe in diesem Wirtschaftszweig gibt. Die Aussagen, die man dann über einen typischen Grossbetrieb des zweiten Landes macht, den man einmal dem ersten und zum anderen dem zweiten Steuersystem unterwirft, sind noch keineswegs allein für diesen Vergleich kennzeichnend. Viermehr muss genau in gleicher Weise dann noch der typische Betrieb des ersten Landes, also ein Klein- oder Mittelbetrieb, den beiden Steuersystemen unterworfen werden. Vielleicht lässt sich anschliessend noch aus den beiden gewonnenen Aussagengruppen, nämlich einmal über die Besteuerung des Großbetriebes und zum anderen über die Besteuerung des Klein- oder Mittelbetriebes jeweils unter beiden Steuersystemen, auf dem Wege der statistischen Mittelung eine gemeinsame Aussage formen; es kann aber auch sein, dass diese gemeinsame Aussage schon den tatsächlich gegebene Besonderheiten der beiden Länder nicht mehr gerecht wird und deshalb unsinnig ist. Das wäre z.B. dann der Fall, wenn sowohl der Grossbetrieb wie auch der Klein- oder Mittelbetrieb jeweils im zu vergleichenden Auslande höher als im Heimatlande besteuert würden, denn diese Betriebsgrössen sind

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[14]) So z.B. Schubert, Werner: Die steuerliche Belastung des Eisen- und Stahlexports in den Hauptwettbewerbsländern, Finanzwissenschaftliche Forschungsarbeiten, Köln 1951, oder auch in den Auseinandersetzungen über die steuerliche Behandlung der Exporte und Importe zwischen den Ländern der Montanunion nach Eröffnung des gemeinsamen Marktes für Kohle und Stahl.

ja tatsächlich im Ausland völlig untypisch spielen dort für den zu vergleichenden Wirtschaftszweig keine zu beachtende Rolle [15]).

4. *Vervollkommnung beider Methodengruppen*

Bei der steuerrechtlichen Methode ist jedoch eine Fehlerquelle vorhanden, der man im internationalen Steuerbelastungsvergleich bisher kaum Beachtung geschenkt hat, die aber wegen der Grössenordnung der möglicherweise auftretenden Fehler doch zu Bedenken Anlass geben sollte. Das ist die in den einzelnen Steuersystemen sehr unterschiedlich gelöste gegenseitige Abhängigkeit und gegenseitige Überschneidung von einzelnen Steuern. Während nämlich auf der einen Seite in einigen Staaten das Prinzip, keine Steuer von der Steuer zu erheben, sehr genau gewahrt wird, ist man in anderen Ländern wiederum dazu übergegangen, nicht nur vom gleichen Steuerobjekt die unterschiedlichsten Steuern zu erheben, sondern sogar die schon bezahlte Steuer der Bemessungsgrundlage für eine andere Steuer hinzuzurechnen. Optisch noch sehr mässig aussehende Steuersätze können aber dadurch bis nahe an die Grenze der Tragbarkeit getrieben werden. Das eklatanteste Beispiel dafür waren wohl die gewinn- und vermögensabhängigen Steuern in Westdeutschland nach dem 2. Weltkrieg, die zeitweise mehr als 100 % des Gewinns in den Spitzensätzen beanspruchten.

In den USA werden z.B. zur Ermittlung des Gewinns für die Federal Income Tax fast alle Steuern bis auf Erbschaftsteuer, Income tax und einige wenige Aufwandsteuern vom Bruttobetrag des Einkommens abgezogen. Für die ausgegebenen sales und use taxes werden sogar in einigen Staaten Pauschalsätze vom Einkommen abgesetzt. Auch die Vermögensteuern, die die Haupteinnahmequelle der Gemeinden sind und fast 13 % der gesamten Steuereinnahmen in den USA ausmachen, sind bei der Ermittlung des einkommensteuerligen Gewinns abzugsfähig. — In Westdeutschland dagegen machen die nominellen Steuersätze durch die Nichtabzugsfähigkeit verschiedener der an Zahl angewachsenen und letztlich aus dem Ertrag zu bestreitenden Steuern nur einen Bruchteil der effektiven Belastung aus. Nach Eßer [16]) mussten Kapitalgesellschaften im Frühjahr 1953 in Westdeutschland für eine Kapitalverzinsung von

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[15]) Entsprechendes gilt selbstverständlich, wenn beide Betriebsgrössen jeweils im zu vergleichenden Auslande niedriger besteuert werden; erst wenn die Unterschiede gleichgerichtet sind, d.h. erst wenn beide Betriebsgrössen im einen Lande höher und im anderen Lande niedriger besteuert werden, lässt sich durch Mittelung ein aussagefähiges Ergebnis auf diese Weise erzielen.

[16]) Eßer, Sturm, Silcher: Die heutige Steuerbelastung der gewerblichen Wirtschaft, Bonn 1953.

nur 4 % p.a. bei einmaligen Umschlag des Kapitals im Jahr einen Bruttoertrag von 18,35 % des Kapitals erwirtschaften, um alle die Steuern, die auch schon bei diesem geringen Nettoertrag anfallen, zu erwirtschaften.

Für Personenunternehmen, deren Besteuerung am Plafond von 80 v.H. lag, war ein entsprechender Bruttoertrag von 31,30 v.H. erforderlich. Bezeichnend in diesem Zusammenhang ist aber, dass z.B. die Effektivbelastung allein bei der Lastenausgleichs-Vermögensabgabe durch die ganze oder teilweise Nichtabzugsfähigkeit der Ertragsteuern untereinander von nominell 3,4 v.H. auf 8,53 v.H. bei Kapitalgesellschaften und auf 18,22 v.H. bei Personenunternehmen unter den oben angegebenen Bedingungen anwächst. Bei der Vermögensteuer steigt die Belastung für Kapitalgesellschaften von 0,5 v.H. auf 1,55 v.H. Das bedeutet, dass die tatsächliche Belastung der Lastenausgleichs-Vermögensabgabe in den angegebenen Beispielsfällen 2,5 mal bzw. 5,3 mal so hoch und bei der Vermögensteuer 3,1 mal so hoch wie ihre nominellen Sätze sind. Diese Untersuchungen können sowohl methodisch wie ihrem Tatsachengehalt nach für den internationalen Steuerbelastungsvergleich fruchtbar gemacht werden. Sie ergänzen die aus den volkswirtschaftlichen Gesamtrechnungen zu gewinnenden Ergebnisse. Zum Zweck des Vergleichs müssen dann jeweils die Früchte der einen oder der anderen Methode ausgewertet werden.

Damit scheint dann tatsächlich der Kreislauf der Methoden für internationale Steuerbelastungsvergleiche geschlossen zu sein. Von den Einzelvergleichen der „steuerrechtlichen Methode" ausgehend wurden Globalvergleiche aus den volkswirtschaftlichen Gesamtrechnungen mit allen Verfeinerungen entwickelt, um schliesslich wieder Einzelvergleiche hinzuziehen zu müssen, da die Aussagefähigkeit der „Steuerstatistischen Methode" wegen ihrer Allgemeinheit zu beschränkt ist.

Besser jedoch als diese Kreislauf-Deutung ist vielleicht die Vorstellung, dass sich die Vergleichsverfahren in Form der Spirale entwickelt haben. Die heutigen Einzelvergleiche liegen nämlich in ihrer Vervollkommnung auf einer weit höheren Ebene als etwa der naive Vergleich der Einkommensteuer-Höchstsätze. Auch ist das Bildhafte dieser Vorstellung darüber hinaus noch dadurch besonders einleuchtend, als alle die genannten Vergleichsmethoden zum Funktionieren des internationalen Steuerbelastungsvergleichs zusammenwirken müssen; denn die mit nur einer der genannten Methoden festgestellten Belastungsunterschiede geben durchaus nur ein unvollkommenes Bild der tatsächlichen Verhältnisse wieder. Die Aussagefähigkeit ist jeweils von der Zwecksetzung, für die die einzelne Methode entwickelt wurde, begrenzt; das darf nie ausser

acht gelassen werden. Die weitere Verfeinerung und Vervollkommnung sowohl der steuerrechtlichen wie der steuerstatistischen Vergleichsmethoden sind demnach aber wohl doch noch in der Lage, den „Zauberkreis" zu durchbrechen, der dem internationalen Steuerbelastungsvergleich gesetzt zu sein schien, und durch den die Fähigkeit eines solchen Vergleichs, zur Lösung der ihm gestellten Aufgabe beizutragen, in Frage gestellt war.

METHODS AND PRACTICE OF THE COMPARISON OF TAX BURDENS IN DIFFERENT COUNTRIES

by H. BECKENDORFF

SUMMARY

After the first World War the discussion of comparing the loads of taxation of various countries already gave results which it has not been possible to improve materially after the second world war, when these problems aroused fresh interest. In those two periods, in which the comparision of tax burdens was of very real importance, the development of methods of comparison degenerated into a vicious circle: just as if it was intended to distinguish between methods of fiscal statistics and methods of fiscal law, or between macro-economic 'tax burden' and micro-economic 'individual tax', people started simply by comparing the degrees of graduation of income tax schedules. More and more complicated methods have been developed in order to make allowance for differences in welfare, in social charges, in national wealth, in needs, in mentality of the taxpayer, and in many other respects, but eventually the conclusion was arrived at that, in order to obtain results applicable to individual cases, "the rates of the taxes based on the whole of the accounts of the national economy had been too much influenced by the numerous generalisations that were necessary."

Since none of the methods can lay claim to being, in a general sense, the best, each has a reason for its existence, but it should be remembered — which in practice is not often done — that the significance of any comparison of tax burdens is limited by the object aimed at in the elaboration of the method used. However, this need not prevent a gradual improvement of the methods of comparison. Such an improvement is possible in the comparison of taxation as a whole as well as in the comparison according to the systems of fiscal law. For instance, in the various countries such institutional conditions would previously have to be created as would permit comparison of national wealths. Thus it would become possible, in calculating the rates of taxation, to take into account the levels of income as prevailing in the various countries. If one compares on the basis of 'fiscal law', one should make a thorough study of the relations and the differences between the various taxes: the comparison of fiscal burdens on the basis of the various taxes is useless if in the countries concerned the principle of not taxing tax and not imposing a second tax on what may be considered as being

identical to a tax, is observed to a different extent. In the future the improvement of the methods of comparison based on fiscal statistics or on fiscal law should increase the significance of the comparison of fiscal burdens in different countries considered as a whole and thus promote international and supranational economic relations.

METHODES ET PRATIQUE DE LA COMPARAISON DES CHARGES FISCALES ENTRE LES ETATS

par le H. BECKENDORFF

RÉSUMÉ

Après la première guerre mondiale déjà, la discussion des charges fiscales comparées des Etats a donné des résultats qui n'ont pu être dépassés essentiellement après la seconde guerre mondiale, lorsque l'ntérêt pour ces problèmes a connu un renouveau. A ces deux époques, où la comparaison des charges fiscales avait une signification de très grande actualité, le développement des méthodes de comparaison à dégénéré en un cercle vicieux: tout comme si on voulait distinguer méthodes de statistique fiscale et méthodes de droit fiscal, ou encore „pression fiscale" macro-économique et „prélèvement fiscal" micro-économique, on a commencé chaque fois par simplement comparer les pointes de progressivité des barèmes d'impôts sur le revenu. On a développé des méthodes toujours plus compliquées pour tenir compte dans la comparaison des différences de bien-être, de charges sociales, de fortune nationale, de besoins, de mentalité des contribuables et de bien d'autres choses, mais finalement on en revenait à la conclusion que, pour obtenir des résultats applicables aux cas individuels, les „taux d'impôts produits de l'ensemble des comptes de l'économie nationale avaient été trop influencés par les nombreuses généralisations nécessaires."

Comme aucune méthode ne peut d'une façon générale être proclamée la meilleure, elles ont toutes leur raison d'être, mais il faut prendre en considération — ce qui pratiquement ne se fait pas souvent — que le pouvoir expressif de toute comparaison de charges fiscales est limité par le but poursuivi dans l'élaboration de la méthode employée. Cela ne doit cependant pas faire obstacle à l'amélioration progressive des méthodes de comparaison. Elle est possible dans la

comparaison des fiscalités suivant leur ensemble aussi bien que dans la méthode de comparaison suivant les systèmes de droit fiscal. Par exemple, il faudrait créer dans les différents pays, les conditions institutionnelles préalables qui permettront une comparaison des fortunes nationales. Ainsi pourra-t-on tenir compte dans le calcul des taux d'impôts des niveaux de fortune distincts suivant les différentes nations. Quand on compare sur base du „Droit fiscal" il faut procéder à une étude approfondie des liaisons et distinctions des différents impôts: la comparaison des charges fiscales sur base des différents impôts a peu de sens lorsque, dans les Etats en cause, le principe de ne pas lever d'impôt sur l'impôt ni de second impôt sur un objet identique d'impôt, est respecté dans une mesure différente. Dans l'avenir, le perfectionnement des méthodes de comparaison basées sur les statistiques fiscales ou sur le droit fiscal devra augmenter la force d'expression de la comparaison des charges fiscales entre les Etats considérés dans leur ensemble, afin de favoriser ainsi les relations économiques internationales et supranationales.

THE EXTENT AND PATTERN OF THE EXPENDITURES OF THE ARGENTINE NATIONAL GOVERNMENT

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In an over-all view of the finances of the Argentine National Government over the years of its existence, several aspects stand out, suggesting special scrutiny. Probably the most obvious and striking of these aspects is the continued and enormous increase in public expenditures during these years [1]).

Quantitative evidence of this increase is presented in Tables 1, 2, and 3 below. Before analyzing the evidence of these tables, though, it is necessary to comment on the statistics of Argentine public finances, and on budget-making and execution in Argentina. In the first place, the writer found the available statistics to be relatively meagre and highly unrealiable and conflicting, especially for the period before 1930. There were seldom two sources whose figures for a given year were the same, and frequently no visible explanation as to the reason for the difference. Often one source would contain only total expenditures for a certain year without stating whether the figure was budget estimates or actual expenditures, or whether it was ordinary or extraordinary budget expenditures, or both. Then another source would show expenditures for the same year, with breakdown by departments and categories, and the total of the second would not be the same as that of the first. If two figures were available for total expenditures, and it was not clear which was actual expenditures, the larger amount was taken as the true one for the reasons to follow.

In the first place, the practice in Argentina of dividing the Budget of expenditures of the National Government into two major divisions: (1) "Expenditures to be met with cash", sometimes called

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1) Carlos J. Rodriguez in a study of the expenditures of the National Adminstration made for the *Revista de Economía Argentina* includes a table which... "reveals at first sight and with all clarity, the rapid increase of the public expenditures. The phenomenon is notorious in each presidential period, during which the expenditures increased from 50 to 100 per cent. Thus Mitre, Sarmiento, Roca Juarez Celman, Pellegrini, Luis Saenz Peña, and Uribura doubled their initial budgets; Figuero Alcorta, Irigoyen, and Alvear increased theirs by 50 per cent." "La Experiencia Financiera Argentina", Ano XXII, Tomo XXXIX (April, 1940), p. 124.

the "ordinary budget", and (2) "Expenditures to be met with produce of bonds", sometimes called the "extraordinary expenditures", is confusing. Since the first World War, expenditures on public works, for military constructions and armaments, and the contributions of the State to various Independent Agencies have been met through the sale of Argentine Government Bonds. Sometimes as much as 25 per cent of the budget estimates as passed by Congress are to be met with the produce of bonds. Frequently, not all the proceeds from the sale of bonds are spent in the year in which authorized, and the amounts not used are carried under estimates of resources as "resources of past fiscal years". It is, therefore, difficult to determine actual expenditures, even if there was strict and accurate accounting and reporting, which, as will be revealed below, was not the case until recently.

A second reason for conflicting statistics of expenditures of the Argentine Government is that previous to 1931 the various ministers did not report or account for expenditures that they made under "Special Funds" or "Special Accounts".

> To the flow of bad administrative practices, there has developed an abundant flowering of Special Accounts with resources independent of General Revenue, and with expenditures that do not figure in the Budgets, nor in the account of investment [2]).

A third reason for the difficulty in arriving at an accurate figure for actual public expenditures lies in the peculiar Argentine practice of making expenditures outside the budget through "Special Laws", and "Government Accords". (*Acuerdos de Gobierno*). The former are passed by Congress. The latter represent additional expenditures believed necessary by some member of the Cabinet, who asks for permission from the President and his fellow cabinet members to make the expenditure. Such permission is usually granted. The Congress is later asked to approve these additional expenditures — which are usually covered by issuing short-term Treasury notes — and the approval is almost always forthcoming, because Congress, having also increased expeditures outside the budget through the passage of Special Laws, is in no position to protest [3]). For some

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[2]) "Exposición del Ministro de Hacienda de la Nación sobre de las Finanzas Nacionales." *Revista de Economía Argentina,* Año XIV, Tomo XXVII (Octubre, 1931). p. 242.

[3]) The following Special Laws, for the indicated purposes, passed by the Argentine Congress in 1909, increased the expenditures of the Interior Department by 1,183,657.06 pesos over the authorized budgetary expenditures. Law No. 4161, National elections; Law 6484, Subsidy to town of Lareto; Law 6297, Monument to Battle of Salta; Law 6331, National Intervention to Province of Cordoba; Law

of the years in which these expenditures "outside the budget" were reported, and frequently they were not even reported, they accounted for from 5 to as much as 60 per cent of actual expenditures, especially in nineteenth century [4]).

The fourth reason for the deplorable state of Argentine public finance statistics lies in the nature of budget-making and public spending in Argentina, and in the character of the Argentines. The early Argentine Constitutions, and Accounting and Budget Laws, established scientific and adequate procedures for the strict and accurate control of and accounting for public expenditures [5]). Therefore, the following statement, made in 1931, seems at first to be surprising.

> The system of the Budget has been perverted, and without an efficient regime of control of the public expenditures, the task of the Provisional Government in reordering the finances of the country has been rendered very difficult ... The bookkeeping is very backward, and the entries are often obscure. Today, in spite of much effort, there is not yet available exact figures on the real expenditures of the fiscal year in 1930 [6]).

The causes of the above state of affairs are several. First is the contradictions contained in the Accounting Laws themselves.

> Each Minister is required by the Constitution to submit, in the month of May, a report to the Congress of the financial activities of his Department. This has seldom been complied with, because

No. 6343, Monument in Rio Gallegos to J. B. Alberdi; Law 6345, Salaries to Senor Cesar A. Campos that would have gone to Ex-Deputy Manuel J. Campos; Law No. 6381, Firehouses in the Federal Capital; Law No. 6393, Esplanade of the Mar del Plata; Law No. 6681, Works in the Fireman Barracks and Commissary No. 24; Law No. 6716, Monument to the Engineer Mitre; and Law No. 6761, for the Centenary Commission of Jujuy.

The following Government Accords increased expenditures in the same Department by 577,088.79 pesos. Accord of February 7, 1907, Intervention in the Province of San Jaun; March 4, 1909 Accord, Intervention in the Province of San Luis; March 4, 1909 Accord, payment for an automobile for the President of the Republic; April 14, 1909 Accord, Intervention in the Province of Corrientes; April 26, 1909 Accord, Extraordinary expenditures of the Police Department of the Federal Capital by reason of the strike; November 30, 1909 Accord, Extraordinary expenditures of the Police Department of the Federal Capital; January 13, 1910 Accord, Expenditures by reason of the state of siege in the Republic. *Memoria del Departamento de Hacienda,* 1909, Tomo Tercero, pp. 195-7.

[4]) *Memoria del Departamento de Hacienda,* 1925, pp. XV-XXXI; and Dirección General de Estadística de la Nación, *Resuménes Estadísticos Retrospectivos,* pp. 138-9.

[5]) See Vincente Ripa Alberdi, *El Presupuesto y su Control.*

[6]) "Exposición del Ministro del Hacienda de la Nación sobre el Estado de Finanzas Nacionales", *op. cit.,* p. 242.

of the contradictions contained in the Accounting Law. This law requires the Report to contain, among other things, "an account of the investment of the Budget of his Department corresponding to the exercise of the year before". Article 43 of the same Law states that the fiscal year closes on March 31, which gives the Minister only month in which to prepare his report [7]).

Part of the fault is to be found in the system of Government. Discussing the Budget difficulties arising from the system of Government in Argentina, the Buenos Aires Correspondent of *The Economist* (London) wrote in 1914 that

> . . . The weakness of the system of government here is that there is no Prime Minister who can form a homogenous Cabinet; on the contrary, the Ministers are merely Secretaries of the President, and every one of them is intent upon and cares only for obtaining sufficient funds for carrying out his own plans in the administration of his Department. In the present instance, the Ministers of War, Navy, and of Justice and Education object strongly to the reductions made in their respective estimates by (the Minister of Treasury) for next year.
>
> Another source of weakness is that, though the Ministers have the right to attend the sittings of each of the Chambers and to take part in the debates, they are not obliged to do so unless they are required by a minute from either Chamber to attend give explanations upon any subject. Therefore the Bills they prepare and submit to Congress are seldom supported with energy by their authors. Such is the case with the Budget: The minister of Finance presents his estimates of the revenue of the succeeding year and his proposal for the expenditure that the considers necessary. These are referred to the Budget Committee, which revises the Minister's figures, or disregards them altogether, and prepares a Budget of its own, and every one of the Minister's colleagues endeavors to obtain the sanction of the Committee for the expenditure which the Minister of Finance has refused to authorize, and he submits with equanimity to all the alterations in his Budget which the Committee may make [8]).

Further, considerable responsibility devolves on Congress because of their frequent failure or delay in considering and passing the annual Budget. Frequently Congress merely voted to prolong the previous Budget for the next year without any investigation of how much was spent in the preceeding fiscal year, or how much might be actually needed in the forthcoming one [9]).

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[7]) Alberto Martínez, *El Presupuesto General*, p. 35.

[8]) "Argentine Budget Difficulties", LXVIII (January 24, 1915), p. 182.

[9]) See Augusto de Rocha, *Leyes Nacionales Clasificadas y sus Decretos Reglamentarios*, Tomo III, 2ª Parte (1936) for the number of times this occurred. Note

And lastly, no small part of the fault lies in the character of the Argentines which leads them not to let the presence of legal prohibitions stand in the way of some desired objective.

> The Executive Power, in some cases, not only does not give account to Congress, as he should in order to receive its approval of the Government Accords that he has celebrated, but he does not even comply with the modest formality of inserting them in the official register [10]).

It should be noted in passing that the above situation has been largely eliminated, the process beginning in 1931 [11]).

The above gives some conception of the problems of dealing with Argentine public finance statistics. With the statement that every possible effort was made to secure the most accurate figure in every instance, it is now possible to proceed with an analysis of the material.

Table I, below, gives, with exceptions noted, the actual expenditures made by the National Administration [12]). Although the figures for 1950—53 are Budget estimates, it is believed that they represent a very close approximation to actual expenditures for the earlier practice of huge deficits have been largely eliminated in Argentina.

The above Table demonstrates clearly the tremendous increase in the expenditures of the National Administration. Thus it is revealed that the increase in expenditures from 1914, when 403.8 million pesos were spent, up to 1953, during which year it is proposed to spend 12,695.4 million pesos, is the amazing amount of 2900 per cent, or an average annual increase of 72.5 per cent. The increase has

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the following also: "Financially, Argentine does not know where she stands today. Her last officially sanctioned Budget dates from 1912! For incredible though this may seem, subsequent annual accounts have been but modifications of the Budget estimates discussed and passed in due and Constitutional form in the year named; the Radical Party having never yet accomplished even the complete discussion of all the clauses of any Budget estimates introduced by President Irigoyem." *The Economist* (London), XCV (September 2, 1923), p. 396.

[10]) Martínez, *op. cit.*, p. 114.

[11]) See "El Ordenimiento Economico-Financiero en el Plan de Gobierno, 1947-51" Exposición del Ministro de Hacienda, Dr. Ramon A. Cereijo, antes del Senado en Julio 24 y 25, 1947, Ministerio de Hacienda de la Nación, *Boletin,* Año II, No. 60 (Julio 26, 1947), p. 1285; and "Normas para la Preparación del Proyecto de Presupuesto de Gastos para el Año 1948", *Memoria del Departamento de Hacienda,* 1947, Tomo II, Segunda Parte, p. 1674.

and various categories such as armaments, debt service, public works, etc., in

[12]) Throughout this study, expenditures of the "National Administration" will be used to refer to expenditures of the Executive Departments, Congress, Judiciary, order to distinguish these from the expenditures of the "Independent Agencies." When "Expenditures of the National Government" is used, it will refer to the combined expenditures of the National Administration and "Independent Agencies".

Table 1

TOTAL EXPENDITURES OF THE NATIONAL ADMINISTRATION, 1864—1953[a])

(Millions of Pesos)

Year	Amount	Year	Amount
1864	7.1	1909	392.1
1865	12.5	1910	411.1
1866	13.7	1911	416.4
1867	14.1	1912	479.7
1868	17.0	1913	403.4
1869	14.9	1914	420.8
1870	19.4	1915	397.3
1871	21.7	1916	378.2
1872	26.5	1917	404.7
1873	31.0	1918	421.8
1874	29.8	1919	430.9
1875	28.6	1920	490.0
1876	22.2	1921	599.0
1877	19.9	1922	645.5
1878	20.8	1923	668.8
1879	22.5	1924	709.3
1880	26.9	1925	763.9
1881	28.4	1926	745.8
1882	58.0	1927	1,048.8
1883	44.8	1928	919.0
1884	56.4	1929	988.2
1885	55.5	1930	1,091.8
1886	54.5	1931	908.4
1887	65.1	1932	849.9
1888	79.5	1933	880.4
1889	107.3	1934	934.1
1890	95.4	1935	980.9
1891	95.3	1936	1,051.8
1892	103.2	1937	1,221.1
1893	104.9	1938	1,278.4
1894	117.3	1939	1,460,3
1895	138.8	1940	1,320.9
1896	198.6	1941	1,361.8
1897	159.8	1942	1,526.1
1898	289.0	1943	1,761.3
1899	174.1	1944	1,774.3
1900	158.2	1945	2,849.4
1901	161.0	1946	3,097.4
1902	198.6	1947	4,596.8
1903	182.8	1948	4,438.0
1904	194.9	1949	5,312.2
1905	321.8	1950[b])	6,985.5
1906	270.1	1951[b])	7,837.7
1907	253.1	1953[b])	12,659.4

[a]) Figures for 1864-81 are in gold pesos. From 1883, in paper pesos.

[b]) Budget estimates; Budget for 1951 was passed to be in effect for 1951 and 1952. The 1953 Budget to rule for 1954 also.

Source: Ernest F. Patterson, "The Finances of the National Government of Argentina", (Unpublished Ph. D. Dissertation, University of Texas, 1950), Appendix A. Table A-4: Ministerio de Hacienda de la Nación, *Boletín*, Año IV, No. 168 (Agosto 20, 1949), pp. 1748-61; Año V, No. 212 (Agosto 18, 1950), pp. 1213-27; and Año VII, No. 306 (Octubre 17, 1952), pp. 1355-70.

been steadily upward since the turn of the century, and the rise is especially marked since 1936. For each year since that date, there has been an increase over the previous year, except for 1940. Between 1944 and 1951, the increase was 362 per cent, which reflects the post-World War II industrialization program. In the decade 1918—27, a previous period of especially rapid increase, the percentage was only 148. There was a decline following 1927, with the exception of 1930, the increase in this year being attributable to the internal disturbances connected with the Revolution of 1930. The decline in the 1930's — up to 1936 — was due to the attempts to cut expenditures during the world economic crisis of that period.

It is to be noted that up to this point, the expenditures of the so-called "Independent Agencies" (*Organismos Decentralizados* or Reparticiones Autarquicas) have not been mentioned. Although these agencies and their expenditures will be treated in detail in a separate part of this stody, it is necessary to consider briefly their total expenditures at this point in order to obtain a more complete picture of the public expenditures of the Argentine National Government. If one adds the total expenditures of the "Independent Agencies" and of the National Administration, the following Table results.

Table 2

TOTAL EXPENDITURES OF THE NATIONAL GOVERNMENT, 1930—1953

(Millions of Pesos)

Year	Amount
1930	1,342.3
1933	1,203.7
1936	1,357.8
1937	1,496.4
1938	1,614.0
1939	1,817.9
1941	1,868.3
1942	2,107.1
1943	2,470.9
1944	2,425.4
1945	4,144.7
1946	4,462.2
1947	6,062.8
1948	6,400.9
1949	9,342.1
1950	12,537.7
1951	14,253.7
1953	16,493.2

From the above it is seen that the increase in total public expenditures of the National Government in the years 1944—1951 — the aforementioned period of especially rapid increase — is 485 per cent, as compared to 362 per cent when only the expenditures of the National Administration were considered. This difference is due to the 890 per cent increase in the expenditures of the "Independent Agencies" during these years. The decrease in expenditures of these agencies between 1951 and 1953 — approximately 40 per cent — is more than offset by the increase in expeditures of the National Administration — approximately 74 per cent; therefore the increase in public expenditures in Argentina continues unabated.

The question arises at this point as to how the Argentines view this enormous increase in public expenditures, with its consequent greater State regulation and interference, and as to the reasons given for it. On the whole they view it calmly, and consider it to be an inevitable development in the history of the world, and not peculiar to Argentina. For example, one writer states:

> The modifications that the Argentine National State, the Provinces, and even the Municipalities have suffered in their structure in the last 25 years are profound. The governmental organizations of a quarter century ago served a society less complicated and less differentiated than the present society. The demand for services that the population of the Nation required from the governmental organizations in the years before the first World War were few, if one compares them with the active and important intervention which they exercise today for the Welfare of the community . . . From this rapid increase in number and extent of services that the State furnishes, the incessant increase of the public expenditures in all the nations is logically derived [13]).

The causes advanced for the increase by Argentine economists and students of public finance are similar to those given by American students of the problem for the like increase in this country. One Argentine student attributes the increase to the following causes: "(1) extension and intensification of the functions of the State; (2) the depreciation of the monetary unit, or the progressive increase of prices; (3) the increase of population; (4) the increase of the national income and prosperity; and (5) the democratic government." [14])

Concerning the first cause, which he holds to be the primary one, the author states:

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[13]) Carlos Luzzetti, "Un Cuarto des Siglo de Finanzas Nacionales", *Revista de Economia Argentina*, Año XXV, Tomo XLII (Junio, 1943), p. 266.

[14]) Rodriguez, "La Experiencia Financiera Argentina", *op. cit.*, p. 125.

> . . . the increase of the public expenditures is justified by the original necessities with which the State has had to attend to its political, economic, and social organization. The activity of the State has been enlarging and intensifying with the passage of the years. Up to a little while ago, its governmental system responded to the liberal concept that reduces the public functions to the ends of power and law only, but already there has begun a profound and rapid institutional evolution, which claims the attention of new and collective necessities in the budget for ends of higher culture and welfare of the people. Thus it is that services of popular education have been increased, diffusing primary schools, professional schools, secondary schools, and universities; that salaries and pensions of public employees have increased. This increase in the public services responds to the new functions of the States in which the liberal concept has evolved into the organic or social concept [15]).

The amount of the increase in public expenditures, and the reasons advanced for the increase have been treated up to this point. The remainder of this study will be devoted to giving a detailed and specific account of for what the monies were spent, which, it is believed, will substantiate the accuracy of the reasons given for the increased expenditures, as well as reveal considerable evidence of the existence of the *Estado Intervencionista* in Argentina.

Before presenting the quantitative material, it is necessary to outline briefly the changes in the organization of the National Administration that have occurred since Argentina became an independent nation.

In the organization of the government under the Constitution of 1860, the Ministries of Interior; Foreign Relations; Treasury; Justice, Public Instruction, and Culture; War; and Marine were established. In 1871 a Department of Agriculture was established in the Ministry of Interior, and in 1875 a Department of Civil Engineers, charged with the construction of public works was created in the same Ministry [16]). In 1898 these two Departments became the Ministries of Agriculture and Public Works respectively [17]).

In 1907 a Department of Labor was created in the Ministry of Interior [18]). Subsequently, there were created, at various times, "Sections" of Industrial Hygiene, Public Health, Social Assistance, Workmen's Compensation, and other welfare agencies, either as

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[15]) *Ibid.*, (Mayo, 1940), p. 155.

[16]) De Rocha, *Leyes Nacionales Classificadas*, Tomo I (1935), p. 3, and Tomo XII, 1ª Parte (1937), pp. 39-47.

[17]) Angel V. Andrada, *Leyes Nacionales*, Tomo I, pp. 20-27.

[18]) Departamento Nacional del Trabajo, *Boletin*, No. 1 (Junio 30, 1907), p. 20.

parts of already existing Ministries, or, in a few cases, as Independent Agencies. From 1928 these organizations combined their budgets under the Annex called Department of Social Assistance. In 1943, these "Sections" were placed under the Secretariat of Labor and Welfare [19]).

The payment of pensions continued to be under the respective Ministries, except as the payment of pensions began to be extended to non-government employees, the offices set up to administer the funds (called *Cajas;* e.g., Caja Nacional de Jubiliaciones y Pensiones de Empleados y Obreros de Empresas Particulares) were made Independent Agencies. In 1944, they were placed under the Secretariat of Labor and Welfare as sections of the National Institute of Social Welfare. At the same time, the Secretariats of Aeronautics, Industry and Commerce, and Public Health were created.

In 1949, a far-reaching change was made in the organization of the Executive Department of the National Administration. Previous to this reorganization, the Executive Department consisted of the following: the Ministries of Interior, Foreign Relations and Religion, Treasury, Justice and Public Instruction, War, Marine, Agriculture, and Public Works; the Secretariats of Labor and Welfare, Public Health, Aeronautics, Industry and Commerce, and Education; and the National Council of Education. The following changes were made by Law No. 13,529 (June 8, 1949): (1) the Secretariats noted above became Ministries; (2) the Department of the Army in the Ministry of War became the Ministry of Army, and the name of the Ministry of War was changed to that of National Defense; and (3) there were created the new Ministries of Communications, Political Affairs, Economics, Finances — the new and important banking organization was placed under this Ministry —, Transports, and Technical Affairs. The older Ministries and the National Education Council remained as before [20]). In 1952, the National Council of Education was merged with the Ministry of Education, and a new Ministry — that of Foreign Commerce — was established [21]).

Table 3, below, was prepared for the purpose of making comparisons between amounts spent by the National Administration for certain significant categories. An analysis of the table shows, at first sight, the front rank which payments for debt service have held in the Argentine public expenditures. Until 1937, this category ac-

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19) Juan D. Ramirez, *Legislación del Trabajo y de la Previsión Social,* p. 63.

20) Ministerio de Hacienda de la Nación, *Boletin,* Año IV, No. 164 (Julio 23, 1949), pp. 1511-35.

21) *Ibid.,* Año VII, No. 306 (Octubre 17, 1952), p. 1357.

counted for the largest percentages of expenditures among the various categories, except for 1928 and 1930. From 1937 to 1947 it was second or third; since 1947, it has been relatively unimportant from percentage standpoint.

Until recently, expenditures on education were next in importance to debt service, a few times being exceeded by "national defense" expenses, or by expenditures on public works. Since 1944, expenditures on "national defense" have greatly exceeded those of the other categories, accounting for between 20 and 40 per cent, or an average of 28.6 % for the nine years between 1944 and 1953. It is significant that since the creation of the new Ministries in 1949, the category "other Departments" has exceeded the other categories, having 25.6 per cent of all expenditures for 1950; 32.2 per cent for 1951; and 37.9 per cent for 1953. Also until 1950, the expenditures of the Interior Department and those on public works exceeded payments for subsidies and pensions; since that year, the latter payments have forged ahead. The table reveals two periods of increased expenditures on public works; the first during the twenties, when it was easy to obtain loans in the United States and other foreign countries, and the second since the middle thirties, or after the Argentine National Government began extensive economic intervention.

The next consideration of this study will be the extremely important governmental organs, the *Reparticiones Autarquicas,* or as they have been designated herein, "Independent Agencies." These agencies are comparable in function to the government corporations such as the Tennessee Valley Authority, Commodity Credit Corporation, and the like, created in the United States during the Roosevelt Administration, and frequently were created for the same or similar reasons. For example, overproduction of *yerba mate* in Argentina during the 1930's caused such serious market disturbances that the production and marketing of this product was regulated by the National Government. The agency created and charged with this function was the Regulating Commission for the Production and Commerce of Yerba Mate. Again, following the world crisis of 1929—30, the ranching interests found it difficult to sell meat abroad. and the farming interests to sell grain. The National Government in Argentina, as in the United States, was called upon to aid the ranchers and farmers. It did so by adopting programs of price support and production control similar to those adopted in the United States. The National Meat Board, the National Grain and Elevator Commission, The National Agricultural Council, the Wine Regulating Board, the Meat Exporting Board, the National Cotton

Table 3

EXPENDITURES OF THE NATIONAL ADMINISTRATION BY VARIOUS CLASSIFICATIONS 1914—1953

(Millions of Pesos)

Year	Total	Min. of Int.	Natl. Def.	EDU.	All other Depts. a)	Dept. Serv.	Subs. and Pens.	Pub. Works	Misc. b)
14c)	388.3	53.8	60.5	68.7	53.7	84.5	30.8	25.5	11.1
15	399.9	49.8	53.9	63.9	82.0	83.9	25.4	32.1	9.1
16c)	361.7	47.3	48.1	60.2	40.5	88.7	26.5	33.5	16.8
17c)	388.5	48.0	52.9	68.3	39.9	97.2	29.1	45.0	8.1
18c)	391.0	46.8	51.9	70.5	43.4	126.4	27.9	19.4	4.6
19d)	388.6	46.8	51.9	70.5	43.3	126.4	27.9	17.0	4.6
20	472.3	59.5	80.7	88.3	48.0	124.3	30.7	35.5	5.2
21c)	520.3	58.4	93.2	88.1	54.8	125.2	30.0	65.3	5.2
22c)	512.9	59.5	80.6	88.3	48.0	124.3	32.4	55.4	24.3
23	620.6	74.8	101.3	95.4	58.8	117.8	37.8	66.7	68.1
24c)	687.3	75.0	99.6	96.4	63.8	125.1	40.4	99.1	87.9
25	713.1	76.5	119.8	94.5	112.9	128.8	40.7	51.7	88.2
26	741.2	109.7	113,8	135.3	78.8	150.3	50.6	96.7	5.9
27	708.4	106.4	105.6	132.4	73.9	201.8	46.0	36.2	6.1
28	919.0	119.1	156.1	162.6	109.9	178.5	36.8	135.7	20.3
29	988.2	123.3	143.0	171.8	126.6	177.7	43.3	186.8	16.4
30	1,091.8	132.4	159.9	205.8	134.6	199.4	56.8	188.1	14.8
31	908.4	122.1	146.5	166.5	123.9	203.2	60.5	78.0	7.7
32	849.9	109.4	128.7	150.2	107.8	248.4	51.3	44.1	9.9
33	880.4	106.1	126.2	153.2	104.9	249.4	48.5	68.7	23.4
34	934.2	108.9	130.0	161.5	108.1	219.0	54.4	112.7	40.2
35	980.9	111.2	172.2	176.4	115.2	201.3	66.6	115.1	22.8
36	1,051.8	117.6	188.9	190.6	131.7	203.0	71.0	123.6	25.9
37c)	1,099.9	121.9	224.1	211.8	131.8	194.8	83.6	128.0	6.0
38c)	1,062.1	129.9	215.3	219.5	132.8	179.1	84.3	95.2	6.0
39c)	1,295.8	138.0	216.6	257.6	168.4	212.2	96.3	200.0	6.7
40	1,263.2	131.8	211.3	256.9	160.1	244.6	101.8	149.6	6.8
41	1,361.8	133.4	229.4	261.0	155.0	253.2	104.6	169.3	55.3
42	1,526.1	138.2	322.7	270.0	162.6	258.0	119.1	172.7	52.1
43	1,761.3	155.1	303.9	282.0	176.3	309.5	125.9	194.7	59.7
44	1,774.3	267.4	359.5	294.4	150.1	300.7	128.7	260.0	3.4
45	2,849.4	212.5	1,235.4	308.6	199.6	331.2	202.7	318.5	31.2
46	3,097.4	270.3	1,170.0	352.6	293.9	303.4	254.6	423.1	7.3
47	4,596.8	464.8	1,715.6	474.6	611.8	347.4	256.7	548.6	167.3
48	4,438.0	533.3	1,422.4	540.6	665.8	371.8	135.8	506.5	251.7
49	5,312.2	713.3	1,341.0	751.0	1,311.2	421.8	134.8	320.0	319.2
50e)	6,985.5	478.8	1,663.2	847.8	1,787.8	517.7	971.0	539.5	179.7
51e)	7,837.7	455.6	1,590.2	758.1	2,527.1	688.2	869.4	679.2	269.9
53e)	12,659.4	867.9	2,510.7	1,238.3	4,798.3	1,160.4	966.7	753.0	364.1

a) Includes all Executive Departments except Interior, Army, National Defense (Formerly War), Marine, Aviation, Justice and Public Instruction, and National Educational Council.

b) Includes Congress, Presidency, and Judiciary.

c) Budget estimates.

d) 1918 Budget was declared in force for 1919 except for public works which was reduced by 2.4 million pesos.

e) Beginning in 1951 budgets are passed to rule for two years.

Source: Ernest F. Patterson, "The Finances of the Argentine National Govern-

Board, and the Milk Industry Board were created to administer the government's programs. Further, after 1930, as the "Welfare State" increased in extent, Social Security laws were passed and new categories of the population were added to the pension and benefit rolls. New agencies were created to administer the funds, such as the National Fund of Pensions and Subsidies to Journalists, Pension Fund of Personnel of Merchant Marine and Civil Aeronautics, Pension Fund of Employees in Commerce and related activities, Pension Fund of Employees in Industry and related activities, and so on.

Prior to 1930, the Government Banks — Bank of the Argentine Nation, and National Mortgage Bank —, the State Railroads, Sanitary Works of the Nation, and the petroleum deposits (exploited by the organization, *Yacimientos Petroliferos Fiscales*) had all been administered by the National Government through or as "Independent Agencies." As the industrialization program began to take shape after 1930, its execution was placed under certain of these agencies especially created, usually, for a specific phase or part of the program, without any over-all planning. After 1943, some semblance of plan or system began to evolve, and the program began to be built around industries for which Argentina has some basis, or for which it was though some basis could be developed. Thus were created the General Office of Solid Mineral Combustibles, the General Office of Vegetable Combustibles, the General Office of Water and Electric Energy, and the General Office of Gas of the State. Finally, in 1949, two over-all planning offices — the General Office of Industries of the State, and the National Energy Office — were established.

These agencies ceased to be "independent" in 1947, and were placed under the supervision of the respective Ministries, in a manner analogous to that in the United States. For example, the Commodity Credit Corporation, the Farm Credit Administration, the Farmers Home Administration, the Federal Crop Insurance Corporation, and the Rural Electrification Administration are all under the supervision of and are responsible to the Secretary of Agriculture of the United States. Likewise, in Argentina since the above change, the Minister of Finances has the Central Bank of the Argentine Republic, the Argentina Industrial Credit Bank, the Bank of the Argentine Nation, the National Mortgage Bank, and

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ment", (Unpublished Ph. D. Dissertation, University of Texas, 1950), Appendix A, Table A-9; Ministerio de Hacienda de la Nación, *Boletin*, Año IV, No. 168 (Agosto 20, 1949), pp. 1748-61; Año V, No. 212 (Agosto 18, 1920), pp. 1213-27; Año VII, No. 306 (Octubre 17, 1952), pp. 1355-70.

the Postal Saving Fund under his jurisdiction, and other Ministries have agencies corresponding to their respective competencies.

Up to 1932, these agencies submitted their budgets to the President directly. He approved them, and sent them directly to Congress without going through the procedure established by law for preparation and submission of the budget, i.e., sending the proposed budgets of the respective Ministries through the Minister of Treasury. Hence, there was little or no polishing or cutting of proposed expenditures prior to passage by Congress. The agencies, during this period, were truly "independent". From 1933, the Minister of Treasury intervened in the approval of the budgets, and communicated them to Congress, but up to 1935, it was clearly expected that Congress would approve the budgets submitted by the Executive Power for these agencies without alteration. As the amounts spent by these agencies began to increase enormously — the agencies were created, for the most part, by Presidential decree —, [22]) Congress began to feel that they should have some control over these expenditures. Therefore, in 1936, by Law 12, 237, the Congress ordered that the Budgets of the "Independent Agencies" be submitted annually for their consideration, jointly with the project of the General Budget of the Nation, [23]) although the Budgets of the agencies continued to be carried under the headings "Banks and Postal Savings Funds", "Agricultural Developement", "Industrials", "Public Works and Services", and "Universities and Culture" up to the time of the change made in 1947, which was noted above.

Table 4 classifies the expenditures of the agencies under the above categories because it was thought to provide a more manageable analysis of the nature and extent of the expenditures. A study and analysis of the Table reveals further interesting facts about Argentine finances. For example, comparing the total expenditures of these agencies with the total expenditures of the National Administration as given in Table 1, above, one sees that the concern which Congress exhibited toward their not having control over these agencies' expenditures was clearly warranted. In 1930, the "Independent Agencies" spent only 18.7 per cent of the total expenditures of the National Government, but this percentage gradually increased, until, in 1942, they were spending 27.6 per cent of the total. In 1950 and 1951, the percentages were 48.5 and 45.2 respectively. That would be a large proportion indeed to spend without any legislative control or check.

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22) Bunge, "Situación Actual de la Argentina", *Revista de Economía Argentina*, Año XVIII, Tomo XXIV (Octubre-Diciembre, 1935), p. 283.

23) *Memoria del Departamento de Hacienda*, 1942, Tomo I, pp. 113-4.

Table 4

EXPENDITURES OF INDEPENDENT AGENCIES, CLASSIFIED BY MAJOR CATEGORIES, 1930—1949

(Millions of Pesos)

Year	Total Exp.	Banks and Postal Savings	Pensions and Maternity Funds	Agri. Develop.	Industrials	Public Services and Works	Univ. and Culture
1930	250.5	46.8	3.6	—	83.3	91.5	25.3
1933	323.3	40.9	3.7	—	119.3	139.3	20.2
1936	306.0	43.7	3.6	5.3	86.3	144.3	22.8
1937	275.3	44.4	4.4	7.1	92.5	100.9	27.2
1938	335.6	46.1	4.6	10.0	142.7	105.3	26,9
1939	357.5	46.2	4.5	14.2	92.5	170.6	29.5
1941	506.1	48.2	5.4	14.4	212.9	193.5	31.8
1942	581.0	53.1	5.6	9.5	219.3	258.6	34.8
1943	709.6	54.6	6.0	9.2	313.5	286.1	40.5
1944	651.1	56.9	5.8	6.2	270.7	268.2	42.9
1945	1,259.3	101.3	13.3	43.5	571.6	513.6	52.5
1946	1,370.8	107.7	49.7	45.9	635.1	478.6	53.9
1947	1,466.0	135.7	68.9	56.9	581.1	545.9	64.0
1948	1,962.8	225.9	67.5	79.2	766.1	719.5	92.2
1949	4,029.9	369.5	132.1	119.2	1,671.5	1,317.6	284.0
1950	5,5502	610.3	281.7	139.1	1,921.0	2,281.6	316.5
1951	6,471.6	666.8	282.4	189.0	2,185.7	2,797.3	350.4
1953	3,833.8	641.5	549.0	217.7	542.9	1,467.0	413.7

Source: Ernest F. Patterson, "The Finances of The National Government of Argentina", (Unpublished Ph. D. Dissertation, University of Texas, 1950) Appendix A, Table A-16; and Ministerio de Hacienda de la Nación, *Boletín*, Ano IV, No. 168 (Agosto 20, 1949), pp. 1748-61; Ano V, No. 212 (Agosto 18, 1950), pp. 1213-27, Año VII, No. 306 (Octubre 17, 1952), pp. 1355-70.

Looking further at Table 4, one notes that "Public Works and Services" and "Industrials" have been first and/or second, the former spending more between 1930 and 1943, and since 1949, while the latter was more important between 1944 and 1949. "Banks and Postal Savings Funds" have ranked third among the categories through the whole period covered; the other three categories have been relatively unimportant. The increase in the expenditures of "Banks etc." since 1944 is due to the major role which the new Banking Organization, instituted after the nationalization of the Central Bank in 1945, is playing in the National Governement's plans and programs. The increase in "Pensions" and "Agricultural Developement" noted for 1953 is due to the increase in Pension laws and funds, and to the projected efforts of the Government to overcome the recent decline in agricultural production, usually associated with the too rapid industrialization of the country.

It is essential in a study of the public expenditures in Argentina

during the most recent years to include the "Five Year Plans". The first Five Year Plan (*Plan de Gobierno*) was inaugurated under Laws Nos. 12,966, 13,019, and 13,215 in 1947 to run through

Table 5

PROVISIONAL DISTRIBUTION OF CREDITS OF THE GOVERNMENT PLAN, 1947—1951

(Millions of pesos)

Category	Amount
I. Public Works and Transports	
a. Sanitary Works	600
b. Navigation and Ports	600
c. Architecture	1,270
d. Highways	555
e. Transports	1,000
f. National Parks and Tourism	65
g. National Airports	120
h. University Buildings	200
i. Telecommunications	300
Total credits to public works	4,710
II. National Energy Plan	
a. Water	640
b. Electricity	485
c. Petroleum	1,420
d. Gas	271
e. Solid Mineral Fuels	363
f. Plant Fuels	56
Total to energy plan	3,235
III. Public Health	
Total to public health	1,000
IV. Immigration and Colonization	
Total to immigration, etc.	200
V. Production	
a. Fish and Water Fowl Industry	10
b. Development of National Industry	210
Total to production	220
Grand total	9,365

Source: Ministerio de Hacienda de la Nación, *Boletín*, Año III, No. 131 (Diciembre 4, 1948), p. 2511.

1951 [24]). The "Provisional" total to have been spent under this plan is given in Table 5, below, and is seen to amount to 9,365 million pesos.

Although it is not known just how much was actually spent under this first Plan, it was certainly considerably more than the Provisional total, for in 1948, the President sent a message to Congress requesting that

> . . . the credits authorized for the *Plan de Gobierno* 1947—51 be increased in the sum of 2,200 millions of pesos in accordance with the following distribution: Public Works and Transports, 1,000 millions; National Energy Plan, 1,000 millions; and Production, 200 millions [25]).

The Second Five Year Plan was inaugurated by Law No. 14,184 (December 29, 1952) [26]). Table 6, below, gives the proposed expenditures to be made under this plan.

A comparison between Tables 5 and 6 reveals that the proposed increase in public expenditures for the Second Five Year Plan is 250 per cent over the First Five Year Plan. Under the first Plan approximately 50 per cent was for Public Works; under the second, the percentage is only 42. Approximately 40 per cent of the 1948—51 total was destined for Economic Action (adopting the divisions made in the 1953—57 Plan), while the second Plan only allots 32 per cent for this category. In the first Plan, 10 per cent of the total was for Social Action; in the second, it is only 4 per cent. The second Five Year Plan allows 12 per cent of the total for Military Plans and 10 per cent for assistance to the Provinces in carrying out their individual plans.

The expenditures under the first Plan were made through the various Ministries of the National Administration. For example, Public Works and Transports expenditures were divided among the Interior, Labor and Welfare, Foreign Relations, Treasury, Education, and Public Works Ministries. The Ministry of Public Health was responsible for all the expenditures under the item Public Health. The general category Immigration and Colonization was divided between the Treasury and Agriculture Departments. The works under the National Energy Plan were carried out by the Ministries of Marine and Industry and Commerce. The Ministries

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[24]) Ministerio de Hacienda de la Nación, *Boletín*, Año I, No. 49 (Abril 26, 1947), p. 288.

[25]) *Ibid.*, Año III, No. 110 (Julio 10, 1948), p. 1365.

[26]) *Ibid.*, Año VIII, No. 317 (Enero 2, 9, 16, 23, and 30, 1953), pp. 16-37.

Table 6

STATE INVESTMENTS SECOND FIVE YEAR PLAN, 1953—57

(Millions of pesos)

Category	Amount
I. Social Action	
1. Social Welfare and Assistance	70.0
2. Education	440.0
3. Culture	28.7
4. Public Health	700.0
5. Housing	121.1
6. Tourism	20.0
	1,379.8
II. Economic Action	
1. Land Settlement	200.0
2. Arable Farming	722.5
3. Pastoral Farming	150.0
4. Conservation of Natural Resources	60.0
5. Forestry	75.0
6. Mining	240.0
7. Hydraulics	800.0
8. Fuel	4,600.0
9. Electric Power	2,500.0
10. Iron, Steel, & Metallurg. Ind.	980.0
11. Manu. Ind. and Mechan. Eng.	145.0
12. Chemical Industry	260.0
13. Fisheries	48.6
14. Marine Engineering	100.0
Total of Economic Action	10,881.1
III Public Works and Services	
1. Transport	5,000.0
2. Communications	2,215.0
3. Roads and Highways	3,500.0
4. Ports and Navigable Waterways	1,050.0
5. Waterworks and Drainage	1,280.0
6. Public Safety	490.4
7. Technical Research	130.0
8. Planning Studies	15.0
9. Public Buildings	203.0
10. Other Works	4,000.0
Total of Public Works, etc.	14,239.1
IV. Military Plans	
1. Army	1,260.0
2. Navy	1,200.0
3. Air Force	1,140.0
4. National Defense	400.0
Total of Military Plans	4,000.0
Total of National Plan	30,500.0
V. National Contrib. to Prov. Plans	3,000.0
Total State Investments	33,500.0

Source: Ministerio de Hacienda de la Nación, *Boletin*, Año VIII, No. 317 (Enero 2, 9, 16, 23, and 30, 1953), pp. 30-1.

of Treasury, Agriculture, and Industry and Commerce accounted for the expenditures under the item Production [27]).

From the foregoing account of the expenditures of the Argentine National Government several significant features emerge. In the first place, the size of the total expenditures has increased enormously, and if the trend of the past ten years continues, they are likely to reach new highs in the immediate future. In the second place, it is seen that payments for debt service have accounted for an inordinately large percentage of the total expenditures over the years as a whole. Thirdly, it would seem that expenditures on "national defense" have been more than ample for a country that has never fought a major war, and which is likely to be relatively free from attack by any of its neighbors. Fourth, the expenditures for education have been high, even when compared to other countries of the world, and particularly when compared with other countries in Latin America. A fifth striking feature of the expenditures of the National Government since the first World War has been the rise and increase of the so-called "Independent Agencies", whose expenditures, for the most part, have not been the traditional "public expenditures", i.e., expenditures to administer justice and provide for the common defense and for education, but have been concerned with increasing the production of the country, with providing economic goods and services which in most Capitalistic countries have been left to "free private enterprise". The final, and perhaps most striking, feature is the large expenditures made and to be made by the recently expanded Executive Department under the *Plan de Gobierno,* or Five Year Plan.

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[27]) *Ibid.*, Año III, No. 100 (Mayo 1, 1948), pp. 860-74.

ETENDUE ET CARACTERE DES DEPENSES DU GOUVERNEMENT CENTRAL DE L'ARGENTINE

PAR ERNEST F. PATTERSON

RÉSUMÉ

L'étude des dépenses du Gouvernement central argentin est rendue difficile par l'imprécision et le manque de statistiques dignes de confiance. Les statistiques disponibles sont difficiles à interprêter et à analyser. 1°) à cause de la méthode qui divise le budget en deux parties, l'une appelée „dépenses à couvrir par les revenus courants", l'autre „dépenses à couvrir par l'emprunt"; 2°) en raison du fait qu'une grande partie des dépenses furent faites avant 1931 par différents ministres du gouvernement, sans être enregistrées, ou comptabilisées; 3°) parce que des dépenses importantes furent faites en dehors du budget par le Congrès et les départements exécutifs en vertu de loi spéciales et de décrets.

Les dépenses du Gouvernement central de l'Argentine durant les années s'échelonnant depuis 1900, et particulièrement depuis 1930, ont suivi la même progression que dans les autres pays: elles ont augmenté dans d'énormes proportions. Ceci est révélé graphiquement par les tableuax 1 et 2. Les Argentins attribuent cette augmentation aux causes suivantes: 1°) l'extension des fonctions de l'Etat; 2°) l'augmentation des prix; 3°) l'augmentation de la population; 4°) l'augmentation du revenu national et de la prospérité et 5°) le développement du gouvernement démocratique. En exceptant le coût d'une guerre moderne, ce sont approximativement les mêmes raisons que celles données par ceux qui étudient les finances publiques aux Etats-Unis pour expliquer l'augmentation des dépenses publiques dans leur pays.

Historiquement, les dépenses du gouvernement central de l'Argentine proviennent de trois sources générales. Premièrement, il y a eu, et il y a, celles faites par l'Administration centrale à l'entremise des divers ministères et départements de la branche exécutive du gouvernement (l'Argentine a un gouvernement fédéral semblable à celui des Etats-Unis, avec trois pouvoirs légalement séparés: législatif, exécutif et judiciaire). Lorsque l'Etat commença à intervenir plus directement dans la vie économique du pays, des organismes ou offices spéciaux furent créés pour administrer des activités spécifiques. Ces offices sont comparables à ceux créés sous l'ad-

ministration Roosevelt durant les années 1930, tels que la „Tennessee Valley Authority". Les dépenses de ces offices dénommés „autonomes" devinrent de plus en plus importantes après 1930. Récemment, leurs dépenses ont cessé d'être traitées séparément et elles sont actuellement comprises dans les dépenses de l'Administration centrale, en même temps que de nouveaux ministères furent créés pour assumer ou superviser les responsabilités antérieurement supportées par ces offices seuls.

Depuis la 2ème guerre mondiale, une large part des dépenses publiques a été faite dans le cadre des plans quinquennaux adoptés par le gouvernement argentin pour le développement économique du pays. Ces fonds ont été dépensés par, ou sous la direction des nombreux nouveaux ministères créés depuis 1945.

Parmi les dépenses spécialement supportées par l'Administration centrale, le service de la dette — intérêts et charge d'amortissement — a occupé la place la plus importante. Les dépenses pour l'éducation et la défense nationale prennent la deuxième place. Depuis 1944, les charges de la défense nationale ont largement excédé celles de n'importe quelle autre catégorie de dépenses.

Les dépenses des „offices autonomes" ont été affectées principalement au développement industriel et les travaux publics. Depuis 1944, il y a eu augmentation dans l'importance des dépenses faites sous les dénominations générales, „Banques", „Pensions" et „Développement de l'agriculture". Ceci est dû à la nationalisation de la Banque centrale en 1945, aux nombreuses nouvelles lois sociales augmentant les pensions et les étendant à de nouvelles catégories de travailleurs et aux efforts du gouvernement argentin pour enrayer le déclin de la production agricole associé à une trop rapide industrialisation du pays.

Les dépenses faites et envisagées dans le plan quinquennal sont, et ont été faites principalement pour les travaux publics et les transports et pour le développement de nouvelles sources de puissance industrielle.

Cette étude met en lumière les faits significatifs suivants en ce qui concerne les dépenses du gouvernement central de l'Argentine: 1°) Le total des dépenses a augmenté d'une façon énorme et, si la progression des dix dernières années continue, elles atteindront vraisemblablement de nouveaux sommets dans un proche avenir. 2°) Le service de la dette publique est intervenu pour une part extraordinairement grande dans le total des dépenses au cours des années envisagées. 3°) Il semblerait que les dépenses de la défense nationale ont été plus qu'importantes pour un pays qui n'a jamais dû faire face à une guerre sérieuse et qui semble être relativement

à l'abri d'une attaque de n'importe lequel de ses voisins. 4°) Les dépenses pour l'éducation ont été élevées, même si on les compare à celles d'autres pays et spécialement des autres pays de l'Amérique Latine. 5°) Un aspect frappant des dépenses du Gouvernement central depuis la première guerre mondiale fut la naissance et le développement des offices dénommés „autonomes" dont les charges, pour la plus grande part, n'ont pas été des „dépenses publiques", dans le sens traditionnel du terme, telles que celles de l'administration de la justice et celles engagées pour la défense national et l'éducation; ces charges ont été liées à l'augmentation de la production du pays, à l'apport de biens économiques et de services qui dans la plupart des pays capitalistes, ont été laissés à la „libre entreprise privée". 6°) L'aspect final, et dans beaucoup de sens le plus frappant, est la large part des dépenses faites et à faire dans le cadre des plans quinquennaux par les départements de l'exécutief dont les attributions ont été élargies.

THE BRITISH TAXES ON EXCESS PROFITS

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The termination of the Excess Profits Levy announced by the Chancellor of the Exchequer in his 1953 Budget speech marked the end of the experiment in the taxation of excess profits during time of peace. Until the imposition of the Excess Profits Levy, all British taxes on excess profits were war taxes. The history of the British taxation of excess profits began with the imposition of the Munitions Levy in 1915 and finished when the Excess Profits Levy ended on 1st. January 1954.

1. *The Principles of Excess Profits Taxation.* Excess profits taxes differ from other taxes because they are levied on the base of „excesive" profits which were not distinguished previously as a tax base. They are imposed on something that is regarded as abnormal and thus are in contrast to all other taxes the payment of which depends on an anticipated and recurrent event. Indeed, since profits are a „second-order" effect in the economy, they are difficult to predict. It is for instance more difficult to estimate the gross profits that will be made by companies for the coming year than to predict the national income to the same percentage accuracy. *A fortiori* the prediction of excess profits which fluctuate even more, is almost impossible. For this reason alone the taxation of excess profits is better suited to war-time, when the object is to raise all possible revenue, than to peace-time when revenue is required to meet foreseeable committments. Excess profits taxes also differ from most of the other taxes in so far as their levy has been justified not only on fiscal but also on social grounds involving a moral judgment. Thus excess profits taxation was developed during the First World War as a result of a great need for revenue and a widespread condemnation of profiteering. It was also felt that those people who had made unprecedented profits because of war, but to whom no moral stigma was attached, should not be allowed to keep such earnings.

The Definition of Excess Profits. The profits earned by a firm during a war or during a period of rearmament may be defined as excessive if they are markedly greater either than those earned in normalcy, or than the return which might reasonably be expected on the invested capital. The former definition lies behind the "standard profit basis", the latter behind the "percentage profit basis".

However, when excess profits taxes are imposed no enquiry is made into the causes of the increases in profits, so it is impossible to restrict the tax only to profits occasioned by a war or rearmament. The tax therefore will fall on what are high, as distinguished from excessive, profits or on what are "illusory" profits.

In the first place profits may have increased as a result of hard work, greater efficiency and improved methods of production, and therefore represent a legitimate reward and not profiteering. On the other hand profits may be of „illusory" nature owing to inflation combined with accounting procedure. During a period of inflation, a comparison of chargeable profits with the standard profits will reflect to a large extent the change in the value of money, rather than an increase in profits, which in real terms may have fallen.

Profits may be "illusory" because of the accounting procedure. The difference between the book and real profits is accounted for by the fact that (a) depreciation allowances are based upon the historical cost of plant and machinery, and (b) the stock valuation fails to recognise the fall in the value of money and therefore in the loss of capital involved.

The Measurement of Excess Profits. (a) *Standard Profits Basis.* It can be argued that the danger of the tax falling on high rather than excessive profits is smaller when the standard profit basis and not the percentage standard is used. A great deal will however depend on the length of time during which the excess profits tax is in operation. The longer the period the more likely is the standard profit basis to become antiquated and to cease to be comparable with profits earned at the later date. This however is not a serious objection because excess profits taxes have always been regarded as temporary measures. The real administrative problem which this standard presents is the choice of the years which are to represent the basic period. The decision is of great importance both to the Inland Revenue and to the businesses concerned since the higher the "standard" profits the lower the liability to the excess profits tax in the chargeable years. In order that the tax may be as fair as possible a normal period has to be chosen, thus raising the difficult question of determining what is a normal period. Even if this problem is supposed to be satisfactorily solved others still remain.

There is first of all the problem of firms with fluctuating profits, for which the standard years may be a period of exceptionally low earnings. Secondly, there are the cases of businesses which have invested heavily in new equipment in anticipation of high future earnings and who thereby find themselves with low standard profits.

The argument, therefore, against the profit standard is that it introduces a large element of chance, with the taxation depending on the past policy of firms which could not have taken the tax into account. On the other hand, the profit standard has the advantage of administrative simplicity, as records of profits previously earned are easily accessible and the amount of guesswork is greatly reduced. What is more important however is that a tax on the basis of the standard profit is more likely to fall on what is in fact excess profit.

(b) *Percentage Standard basis*

This, however is only true when the tax is of short duration; if it is levied for a long period, the percentage basis becomes more practical and fair although the tax then tends to become more of the nature of a tax on high profits than a levy on excessive erarnings.

For new businesses the choice of the percentage standard is the obvious solution, but for an established concern it leaves much to be desired. In the first place, the percentage basis introduces an arbitrary element into the decision as to what is the fair return on the invested capital and leads to the more difficult administrative problem of computing the capital employed in the business. To equate the invested capital with the original investment has little meaning, since the economic value of the capital in the business depends on whether the firm is successful or not. For the purpose of excess profits taxation the economic nature of capital has not been taken into account and the value of capital has been calculated independently of the income.

To avoid unfairness special allowances have been given by the Inland Revenue when computing liability for excess profits taxes to firms with wasting assets who must have relatively high profits levels. No provision however has been made for firms in declining industries. These, in comparison with the expanding industries benefit from the lighter tax burden, thus having their existance prolonged. Therefore, on economic grounds the percentage standard can be criticised because it impedes the operation of the economic mechanism and also because from the point of view of justice it must be regarded as unsatisfactory, since it distributes the tax burden unevenly.

The Definition of the Taxpayer

Under section 39 of Finance Act of 1915, excess profits taxes were only levied on the profits of „Trades and Businesses". One would look in vain, however, for a definition of a trade or business in the Finance Acts. The Income Tax Act 1918 is the only source of enlightenment although it could hardly be regarded as

enlightening. It states that for income tax purposes trade "includes any trade, manufacturing venture or concern in the nature of trade, "leaving" the nature of trade" to accountants and lawyers to interpret as best they can. The courts have shown even more caution in their definition, it was held that a "business is almost anything which is an occupation as distinguished from pleasure" [1]).

It may therefore occasion some surprise that in spite of all the difficulties involved in the imposition and administration of excess profits taxes, the war taxes proved to be practicable in Gt. Britain. Their success, as measured by the money yield, although to a large extent due to the high efficiency of the Inland Revenue was mainly attributable to the attitude of the taxpayers, who were prepared to make sacrifices and approved of the moral principles involved [2]).

The Taxation of Excess Profits in War-time

The Munitions Levy 1915—17. Speaking of the Munitions Levy, which in fact was the first attempt made in Gt. Britain to tax profits, Mr. Bonar Law said that "it was imposed rightly and necessarily, partly for revenue but mainly for the reason that you could not expect working men to do their best if they had the feeling that their work was being used to make a private profit" [3]).

The first legislation in connection with the limitation of profits is to be found in the act known as the Munitions of War Act 1915. This act imposed what was in fact an excess profits tax of limited application based on a pre-war standard. It designated as "controlled establishments", concerns in which munitions were made. A limitation was imposed on the divisible profits of these establishments. The standard profit was defined as the net profit for the 2 financial years of an establshment, completed just before the outbreak of the war. One-fifth of the profits earned over and above the standard profit was divisible, the excess being paid into the Exchequer. The statute was brief and its interpretation and the administration of the levy were left to a special body set up for this purpose under the Ministry of Munitions and not under the Inland Revenue. This seperate administration did not prove successful.

After the enactment of the Excess Profits Duty in 1915 the liability was assessed both for the Munitions Levy and for Excess Profits Duty; whichever was higher was payable. The Finance Act

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[1]) Rolls v. Miller [1883 R. 2413] Chancery Division, vol. XXVII, 1884.

[2]) The success of taxes is a relative matter. Their impact on costs is discussed on p. 69.

[3]) Hansard, vol. 90 p. 383, 2.5.1917.

of 1917 ended the Munitions Levy and E.P.D. was applied to both controlled and uncontrolled establishments.

The Excess Profits Duty, 1915—21. The Excess Profits Duty which superceded the Munitions Levy was the result of strong agitation for the taxation of all profits arising out of the war and not of those earned in the munitions industry alone. Again, the reason for the imposition of this tax was only partly financial. In a debate in the House of Commons Sir A. Markam pointed out that there was considerable unrest among working men owing to the belief that unreasonable profits were being made. He stated that a profits tax would do more than anything else to increase production [4]).

E.P.D. Legislation. The 1915 act introducing the E.P.D. was a fairly short document consisting of 15 pages together with a schedule. It was very broad in character indicating only the general lines of procedure.

Computation of Excess Profits. For the purpose of computation of profits liable to E.P.D. it was laid down that the general Income Tax principles were to apply and the tax was applicable only to profits which exceeded the pre-war standard by £ 200. The provision for the exemption of some of the excess profits from taxation has been omitted from subsequent excess profits tax legislation.

(a) *Profit Standard.* An average of several years was allowed for the computation of the standard profit for the purposes of the Excess Profits Duty. The taxpayers had the choice of any two of the last three prewar trade years. If those years represented a period of abnormally low earnings, then any four out of the preceeding six years could have been selected, provided that the average profit was at least 25 % below the average profit of the preceeding three years. This meant that a choice of good trade years for the profit standard was possible, thereby decreasing the tax liability [5]).

(b) *Percentage Standard.* Firms which elected to be assessed on the percentage standard were taxed on the basis of the capital employed in the business.

The statutory rate was originally 6 % for companies or 7 % for

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[4]) Hansard, vol. 72, p. 628, 17.6.1915.

[5]) The rate of E.P.D. 1914—1915 . . . . . 50 %
1915—Dec. 1916 . . . 60 %

From 1.1.1917—31.12.1917 . . . . . 80 %
1.1.1918—31.12.1918 . . . . . 80 %
1.1.1919—31.12.1919 . . . . . 40 %
1.1.1920—31.12.1920 . . . . . 60 %
1.1.1921—31.12.1921 . . . . . 40 %

partnerships and individuals. Fom 1.1.1917 it was increased to 8 %. The differentiation in the rate in favour of partnerships and individuals was designed to compensate them for the companies' privilege of deducting their directors' renumeration from profits. To arrive at the percentage standard the statutory rate was applied to the invested capital, which consisted of;

(1) money,
(2) assets, whether acquired by purchase or not, valued at the purchase price or at the value price at the time of the acquisition, less deduction for outstanding payments and wear and tear,
(3) assets in form of debt.

The definition of invested capital did not include unrealised appreciation.

Allowances. In the Excess Profits Duty legislation, provision was made for dealing with the loss in value of plant and machinery due to wear and tear, and to obsolescence; both were allowed as deductions from profits. Such allowances, as were made, were subject to agreement between the Inland Revenue authorities and the trades concerned. In addition to these general provisions, further relief was given in cases of special hardship.

(a) There was a provision that if a loss was incurred during the three years before the war, profits subsequently earned could be applied to the extinction of that loss. Furthermore losses could be carried backwards as well as forwards.

(b) The profit standard could be modified so as to bring the return on the invested capital up to the level of the statutory percentage for those businesses which were unremunerative before the war.

(c) Relief was also granted by the Board of Referees when application was made by a firm with small invested capital, but which by the nature of the business required a large working capital. In these circumstances and in cases of concerns with wasting assets the percentage could have been increased. In this way the treatment differed from that for Income Tax purposes.

Under the British Income Tax law, no allowance is made for depletion of capital. Capital factors are not taken into account when assessing the taxable income. It is maintained that the Income Tax payments have been discounted in the purchase price of concerns with wasting assets. This argument applies only if the tax payment could have been foreseen. Since the Excess Profits Duty could not have been anticipated, unless special provisions were made,

the tax would have fallen on the capital as well as on the income. All these provisions were made to mitigate the burden of the tax and to spread it as fairly as possible.

On the whole the Excess Profits Duty can be regarded as an equitable tax. It was undoubtedly successful from the financial point of view and in its psychological effects [6]).

Excess Profits Tax. 1939—46. It is not surprising therefore that when during the Second World War there was again the need for an excess profits tax, — the new tax, called the Excess Profits Tax was closely modelled on its predecessor, the Excess Profits Duty.

Excess Profits Tax legislation. The Excess Profits Tax statute was very much more lengthy and elaborate, than that of the Excess Profits Duty, as it had to deal with a greater number of more varied businesses, which had come into existance during the interwar period. To ensure a more uniform treatment, in the Excess Profits Tax legislation an attempt was made to replace the former administrative discretion by a more detailed enactement.

Like the Excess Profits Duty, the new tax was levied on the excess profits of trades and businesses, professions remaining exempted; but the scope of the Excess Profits Tax was extended to include husbandry, which hitherto had not been liable to this special tax. The Excess Profits Tax was designed to be a more drastic measure, although to soften its impact a more generous and flexible exemption limit was granted. The minimum was fixed at £ 1,000 in the case of a trade or business carried on by an individual person. Where there was more than one working proprietor, £ 1,000 was allowed for each person, subject to the limit of £ 6,000. This limit could have been raised by a further £ 4,000 at the discretion of the Inland Revenue. But for Excess Profits Tax there was no exemption from-tax of any of the excess profits as such, as there had been in the case of Excess Profits Duty.

(a) *The Profit Standard.* Again in contrast to the Excess Profits Duty for which good trade years could have been selected, for the purpose of the Excess Profits Tax the normal pre-war years were available, 1935, 1936 and 1937. The burden was further increased by the higher rates that were levied. The 1939 Finance Act fixed the standard profit rate at 60 %, later increased to 100 % by the 1940 act. This enormous burden on industry was however slightly mitigated in the following year by a provision for the repayment after the war of an amount representing the difference between

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[6]) E.P.D. provided about a quarter of the Inland Revenue during the war. Table I, p. 71.

what had been paid with the tax at 100 % and what would have been due had the tax been at 80 %. The Finance Act 1945 reduced the rate to 60 % [7]).

(b) *The Percentage Standard.* While the profit standard was applied to established businesses the percentage standard was used in calculating the tax liability of new firms. The rate was 8 % of the capital employed in the business in the case of companies, and 10 % for other firms. Thus the differentiation in rate which was introduced by the Excess Profits Duty was retained. This statutory percentage was also applicable to changes in the capital employed in the business.

The rules for the computation of capital in the 1939 Finance Act resembled those of 1915 and it was only later, in 1941, that an important modification was made. The difference lay in the treatment of borrowed money. Up to 1941 borrowed money had been excluded from the capital employed in the business. Experience showed that this had a bad effect, which was not foreseen at the time of the original legislation. So long as the borrowed money was not included in the capital computation, firms were reluctant to borrow for the purposes of the new investment necessary to increase their war production. This was remedied by the 1941 act which permitted the inclusion of the borrowed money in the capital computation, whereby the reluctance to invest by the war industries was reduced. But the expansion of non-essential firms may also have been enouraged, though probably not on a large scale because of the prevailing controls.

Allowances. As in the case of the Excess Profits Duty, so too under the Excess Profits Tax, the usual allowances were given for wear and tear. Also, as before, relief was given when losses had been incurred. But there was some difference in the treatment of special cases. For the purpose of the Excess Profits Duty varying reliefs, depending on the special circumstances, were granted. In dealing with cases of hardship under the Excess Profits Tax the administrative discretion was very much curtailed. There was a provision for a standard relief as an alternative, or a substituted standard, which could have been awarded by the Inland Revenue. The amount allowed as the standard was such as would have covered the fixed interest or dividend obligations of a trade or business, plus a 6 % dividend on the paid-up share capital. Business concerns producing certain metals or oils were allowed an additional relief according to the increase in output.

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[7]) Finance Act no. 2, Dec. 1945. E.P.T. was repealed by the F.A. 1946.

On the whole the Excess Profits Tax was more harsh in its application than the Excess Profits Duty and, because of its high rates, had a more serious effect on the economy. Disregarding this disincentive aspect, it could be argued that the Excess Profits Tax achieved its objectives of reducing profiteering and absorbing the additional profits generated by war expenditure. The tax was justified by the abnormal conditions and needs arising out of the war.

The Taxation of Excess Profits in Peace Time

Excess Profits Levy. 1952—54. Taxes on excess profits in time of peace are difficult to justify. The last of the excess profits taxes in Gt. Britain and the only one to have been introduced in peace-time was the Excess Profits Levy. It was also the one that was in force for the shortest period [8]).

Attitude to the Excess Profits levy. The hostile reception of the Excess Profits Levy was partly due to the fact that the spirit of sacrifice, which made the heaviest of burdens tolerable during the war, was not so manifest during the period of rearmament, when the danger was much less apparent. Furthermore, the Excess Profits Levy was regarded as a political move, having been promised during an election campaign, and not as a carefully thought-out way of sharing equally such sacrifices as were necessary. In justifying the imposition of the Excess Profits Levy, the Chancellor of the Exchequer argued that "at a time like this, sacrifices should be borne equally, we are not prepared to see excessive profits being made as a result of injection of rearmament into the economy" [9]). But it was questioned whether the principle of equality had not been impaired by the imposition of this additional burden on profits alone, expecially as the 1952 Budget had not been a severe one, so far as the majority of the taxpayers was concerned. Opposition to the Excess Profits Levy was strengthened by the general belief of those engaged in trade and industry, that profits after the payment of existing taxes were already too low for the healthy functioning of the economy.

'Illusory' High Profits. Although profits as shown by the accounts had risen considerably since the war, that by itself did not imply that excessive profits were earned. Some of the increased profits represented a legitimate reward for hard work and initiative. Also book profits had gone up as a result of inflation and the accounting procedure prescribed by the Inland Revenue. It has been argued

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[8]) Imposed 1952 Budget, repealed 1953 Budget as from 1.1.1954.

[9]) Hansard, vol. 497 p. 290 11.3.52.

that because of inflation and the consequent higher replacement costs coupled with already existing high taxes on profits, such profits, as were retained were already insufficient to finance the necessary capital expenditure. Therefore, in order to maintain the same physical productive capacity industry had been forced to raise fresh capital.

This view was substantiated by three studies. The first concluded after the analysis of answers by 80 large, medium and small companies from all sections of the industry that "The amount of undistributed profits put to reserve in the last few years has been inadequate to maintain industrial capital over the years" [10]).

The conclusion of the analysis of the current assets and liabilities of some 1500 small and medium size manufacturing and commercial companies in 1946 and 1949—50, was similar. It was argued that in the post-war period the increase in the capital resources of business undertakings covered by the report failed to keep pace with the rise in their financial requirements [11]).

No less emphatic was the "Economist" in maintaining that profits were too low. The "Economist's" analysis had been based on the study of 475 profit statements published in the last quarter of 1951 [12]).

The Provisions of the Excess Profits Levy. Broadly speaking, the Excess Profits Levy resembled the other excess profits taxes in form but it is of interest to note that its final provisions differed to a large degree from the original proposals, having been amended on practically all the major points in an attempt to make the tax more acceptable.

The Excess Profits Levy differed from the other excess profits taxes because it did not apply to individuals and partnerships, but only to corporate bodies with profits above £ 5000. A limit to the amount payable was fixed at 15 % of total taxable profits, except for those trades which were carried on through permanent establishments overseas. For them it was fixed at 10 %. There had been no such limits before [13]). This limitation on profits liable to Excess Profits Levy was designed to help companies that had grown exceptionally during and after the basic period.

Profits Standard. There was also a departure from the original

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10) Federation of British Industries, The Effect of Inflation on Industrial Capital Reserves, (1951), London.

11) Bankers' Association analysis, 1951 (London).

12) The "Economist" 3.5.52. "Are Profits too low?".

13) It was originally proposed that a limit for the total exemption should be £ 2000 and that the over-riding limit should be 18 %.

proposals for the basic years which were to be used in the calculation of the standard profits, as a result, any of the years 1947—49 were allowed instead of all three. This change has been of considerable value to companies as few can have enjoyed stable profits during all the three years.

Percentage Standard. To improve the percentage standard an interesting new experiment was tried with the object of simplifying and reducing the administrative work involved in the computation of the "capital employed in the business", by substituting "the paid-up capital of the business" instead. This was objected to because the paid-up capital of a company is, to a large extent, a historical accident. Consequently the "capital employed in the business" principle was reintroduced as an alternative basis on which businesses could elect to be assessed. The basis for the computation of the value of the net assets was broadly the same as for the Excess Profits Tax, but a more favourable treatment was given in the case of borrowed money. A provision was made for an addition to profits at the rate of 4 % of money newly borrowed by a company. The rate on capital arising from profits ploughed back into a business was fixed at 12 %.

Companies choosing the percentage standard were given a fairly large choice. (a) A company could elect that the profits of one of the selected two years be taken as 8 % of its average paid-up share capital in that year. (10 % for a director-controlled company.) (b) Alternatively, a company could choose, instead of the 2 years, to pay 10 % of its paid up share capital at the end of 1946 or 1951. (12 % in the case of the director-controlled company.) (c) As a third alternative, a company might select to be taxed at 8 % of the difference between the value of its assets and liabilities at the end of 1946 and of 1951.

Allowances. As for the purpose of the Excess Profits Duty and Excess Profits Tax special allowances were made. There was the usual provision for companies with wasting assets. Furthermore metal mines and oil wells which had increased their output since the standard period were not liable to the Excess Profits Levy on the additional profits attributable to the increase in the production.

Because of the special circumstances companies whose main business had been carried out in the territories occupied by the Japanese at any time between 1942 and 1945 were offered a choice of the standard years with the additional option of 1949 and 1950.

The imposition of the Excess Profits Levy would have had a crushing effect on the companies, had the other taxes to which they were liable, remained unaltered. The burden of the new tax was

mitigated by a reduction of the existing Profits tax. Nevertheless the net result was a considerable increase in the amount of tax paid.

The Effects of the Excess Profits Taxation

As long as earnings do not exceed the standard profits, an excess profits tax has no effect, but once the exemption limit has been passed, the effects of the tax on businesses and on the national economy will depend on the time at which the tax is levied and on the rate of tax. Excess Profits taxes have traditionally been war taxes. During a war however the disincentive effects of an excess profits tax are reduced because they are offset by such factors as patriotic feelings. Besides during a struggle for national survival economic long-term considerations are of a secondary importance. That however, is not the case in the time of peace.

The only peace-time tax on excessive profits, the Excess Profits Levy, had been in force for too short a time to leave a marked imprint and therefore its effects can not be accurately estimated. Generally speaking an excess profits tax will affect:

(1) productive capacity and financial structure of a businesses,
(2) efficiency and cost of production,
(3) prices and inflation.

In order to maintain the same productive capacity at a time of rising prices, when the depreciation allowances are on the basis of original cost, surplus profits have to be ploughed back into a business. If however any surplus made is taxed away as an excess profit, then productive capacity is likely to fall, unless the need for extra capital can be met by obtaining new capital from outside sources. When a company is forced to raise capital, it is likely to be tempted to issue debenture stock rather than ordinary shares, since interest on loan capital is not subject to tax, whilst dividends are. This would lead to a high gearing of capital which may cause difficulties in any subsequent recession. Also, because an excess profits tax discourages the supply of risk capital, a company may not have much choice in the methods of raising capital. When however a company does manage to raise funds by a share issue, an excess profits tax is likely to lead to a downard adjustment in the value of its shares, particularly of those companies whose profits had sharply increased since the base years used for the purpose of the tax computation. It can therefore be argued that an excess profits tax is likely to have detrimental effects on the productive capacity and financial structure of businesses. It distorts industrial

structure, depressing industries which yield quick returns and stimulates those that offer deferred profits.

The effect of the tax on efficiency will depend on the rate of tax and the importance of the financial incentive which is likely to be greater in peace than in war. The removal of a positive reward will reduce the incentive to hard work, risk-taking by the management, and efficiency. The general effect of the tax is to encourage expenditure for any purpose that could be classified as expense and allowed as a deduction from profits. The tax also reduces employers' inclination to resist wage increase demands.

As efficiency is reduced all round the cost of production will go up. As the cost of production goes up, the increase may be passed on to the consumer in higher prices. Thus the incidence of the excess profits tax may shifted wholly or partly on to the purchaser. But the effect of the excess profits tax on prices is open to speculation and the incidence of the tax is uncertain. Much will depend on the elasticity of demand which can no be easily determined for the large variety of products and their component parts.

The indirect long term effect of the tax may be a rise in prices. At the time of sellers' markets when prices are subordinate to supply it may be relatively easy to pass on to the consumer the increased cost of production which had risen as a result of the excess profits tax [14]). Another reason why prices are likely to increase is the inflationary pressure arising out of higher wages and consequently higher spendable incomes giving rise to a greater demand for goods at a time of deficient supply. This is more likely to be felt in peace-time than during a war when, because of price controls, inflation manifests itself by shortages, rather than in higher prices.

It is only when the economic considerations can for a time be ignored, because of some exceptional circumstances, that the imposition of an excess profits tax becomes justifiable. A prerequisite for its success is public support. Consequently an excess profits tax is likely to be acceptable only during a war when other factors outweigh its economic effects.

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[14]) This does not appear to have been done in the past. Dr. Barna in his "Study of Profits during and after War" (1948), arrives at the conclusion that "the economy as a whole fixed prices as if the E.P.T. had not existed".

COMPARISON OF RECEIPTS FROM MUNITIONS LEVY AND EXCESS PROFITS DUTY WITH TOTAL REVENUE

Table I (£M.)

Year	Receipt from Munitions Levy	Receipt from E.P.D.	Total Receipts Tax and Non-Tax Revenue	M.L. as a % of Total Revenue	E.P.D. as a % of Total Revenue
1916—17	5	140	573	0.8	24.4
1917—18	21	220	707	3.0	31.1
1918—19	22	285	889	2.5	32.1
1919—20	5	290	1340	0.4	21.6
1920—21	1	219	1426	0.07	15.4
Total . .	54	1154	4935	1.1	23.4

COMPARISON OF RECEIPTS FROM E.P.T. WITH TOTAL REVENUE.

Table II

Year	Receipt from E.P.T.	Total Receipts, Tax and Non-Tax Revenue	Receipts from E.P.T. as a % of total
1940	44	1397	3.1
1941	211	2162	9.8
1942	317	2510	12.6
1943	453	2969	15.2
1944	482	3123	15.4
1945	440	3068	14.3
1946	356	3101	11.5
Total . . .	2303	18330	12.6

source: Cmd. 7099, p. 32

COMPARISON OF RECEIPTS FROM E.P.L. WITH TOTAL REVENUE.

Table III

Year	Receipts from E.P.L.	Total Receipts, Tax and Non-Tax Revenue	Receipt from E.P.L. as a % of total
1952—53	3	4438	0.1
1953—54	100	4368	2.2
Total . . .	103	8806	1.1

source: Financial Statement 1953, p. 14
„ „ p. 30

LES IMPOTS BRITANNIQUES SUR LES BENEFICES EXCEPTIONNELS

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L'imposition des bénéfices exceptionnels en Grande Bretagne est née pendant la guerre et, à l'exception de l',,Excess Profits Levy" n'a eu d'effet que pour le temps de guerre. Les impôts sur les bénéfices exceptionnels sont différents des autres taxes en ce qu'ils sont levés sur des revenus considérés comme anormaux. Ils sont créés pour des raisons non seulement fiscales, mais aussi sociales qui impliquent des jugements moraux.

Définition des bénéfices exceptionnels.

Ces bénéfices peuvent être définis comme étant ceux qui sont supérieurs aux bénéfices réalisés en temps normaux, mais il est difficile de distinguer entre bénéfices exceptionnels, bénéfices élevés et bénéfices ,,apparents".

Leur mesure.

Deux méthodes ont été employées pour mesurer les bénéfices exceptionnels

a) sur la base d'un bénéfice standard;
b) sur la base d'un pourcentage.

En ne tenant compte que de périodes brèves, la taxe fondée sur la première méthode est plus apte à frapper ce qui est en fait le bénéfice exceptionnel. Elle peut donc être considérée comme ayant une base plus satisfaisante puisque les impôts sur les bénéfices exceptionnels ont tendance à n'être levés que dans des cas de nécessité et pour une durée limitée.

Définition de la matière imposable.

Les impôts sur les bénéfices exceptionnels sont levés sur les bénéfices ,,du commerce et des affaires". Mais les lois d'impôts sur les revenus ne contiennent pas de définition précise de l'un ou l'autre terme. Leur interprétation est laissée aux Cours et Tribunaux.

La ,,Munitions Levy" (1915—1917) fut le premier essai en Grande Bretagne pour limiter les bénéfices. C'était en fait un impôt sur les bénéfices exceptionnels d'application limitée, fondé sur un bénéfice standard d'avant-guerre et n'ayant d'autre assiette que les profits des ,,établissements contrôlés" produisant des munitions.

L'„Excess Profits Duty" (1915—1921) fut substitué à la „Munitions Levy". Cet impôt fut mis en vigueur en partie pour des raisons fiscales, en partie pour répondre à la condamnation du profitariat, largement répandue. Cette taxe a constitué le premier système d'envergure pour la taxation des bénéfices excepitonnels nés de la guerre. La loi de 1915 sur l'„Excess Profits Duty" avait un caractère de cadre et indiquait seulement les grands traits de la procédure. La taxe était assise à la fois sur un bénéfice standard et sur un pourcentage standard. L'„Excess Profits Duty" peut être considéré comme un impôt équitable. Ce fut indubitablement un succès, et au point de vue financier, et dans ses effets psychologiques.

L'„Excess Profits Tax" (1939—1946) fut établie sur le modèle de ses prédécesseurs, mais l'ancien arbitraire administratif fut remplacé par des règles détaillées.

La taxe, plus sévère dans son application, a réalisé son double objectif: diminuer le profitariat et absorber les bénéfices supplémentaires engendrés par les dépenses de guerre. L'„Excess Profits Tax" trouvait sa justification dans les conditions anormales nées de la guerre.

L'„Excess Profits Levy" (1952—1954). Semblable justification n'existait pas pour cette taxe-ci. C'est le seul impôt sur les bénéfices exceptionnels né en temps de paix. Contrairement aux taxes de guerre, il n'avait pas l'assentiment populaire et fut considéré comme une manoeuvre politique, non comme une mesure fiscale nécessaire. Il était évident que des bénéfices excessifs n'avaient pas été réalisés. Les dispositions initiales de l'impôt furent modifiées mais ceci ne l'empêcha point d'être un échec.

Les effets de la Taxation des bénéfices exceptionnels. Cette taxe influence:

1) la capacité de production et la structure financière des entreprises;
2) l'efficience et le coût de la production;
3) le prix et l'inflation.

Les effets économiques de cette taxe ne peuvent être ignorés à la longue. C'est donc une méthode impropre à mesurer l'augmentation des revenus qui ne peut être employée qu'en cas de nécessité lorsque les considérations d'ordre économique sont d'importance secondaire.

FISCAL LEGISLATION AND PROMOTION OF PRIVATE INVESTMENTS IN GREECE

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INTRODUCTION

The economic aid granted to Europe as from 1948 by the Marshall Plan and the increase through it of investments in the participating countries, brought to the foreground the problems of technical productivity, which therefore became the objet of study by the Organization for European Economic Cooperation.

Within the framework of the effort for the increase of technical or natural productivity, the various financial measures for assisting private investments are also included.

Thus, in view of the particular importance given actually by us to the question of investment in the basic industries, by the establishment of which the economic development and viability of the country are expected to be achieved, it is advisable to examine the above mentioned financial measures existing in Greece.

Greek legislation provides indeed financial measures facilitating and encouraging private investments in industry, handicraft, mining and agriculture. In this connection, financial measures now in force, as well as those in operation recently, will be described; thereafter a few statements will be made regarding the financial repercussions which they caused; finally comments will be made on the value of such measures.

PART "A"

RECENT AND PRESENT MEASURES IN FORCE

These measures may be listed in the following five categories:

I. Increase in depreciation rates.
II. Tax exemption or tax reduction on new profits.
III. Time for covering damages.
IV. Tax exemptions of a more general nature.
V. Tax exemption on imports.

In this part of the present survey, the special treatment of the provincial industries with regard to taxation shall be examined as this was determined by L.D. 2176 of the 6th August 1952 and by L. 3213 of the 30th April 1955. The relevant measures come under four of the above categories (I, II, III and V) as well as under two new ones.

I. *Increase in the depreciation rates*

1. According to E.L. 942 of the 23rd April 1949, re "Amending and supplementing the Net Income Taxation Code", art. 3, para. 4, on expenses paid as from fiscal year 1948 and on expenses to be incurred henceforth for the erection of buildings for servicing the enterprises, as well as for the purchase and installation of machines or plant and the carrying out of extensions and improvements of existing installations, an additional annual depreciation is allowed to the charge of taxable profits over and above the annual depreciation permitted by decree on the basis of the Net Income Taxation Code, amounting up to 5 % for building and up to 12 % for all other fixed assets.

However, the total amount which the depreciation may reach shall not exceed the purchase value of installations and buildings.

These provisions of the art. 3 para. 4 of the E.L. 942 were amended by the latest L.D. 2901 of July 19th 1954 re "Amending and supplementing the Net Income Taxation Code". According to the art II para. 1 of this. L.D. the above *additional* annual depreciation was reduced by half, that is to say to 2,5 % for buildings and 6 % for other fixed assets.

2. As regards industrial enterprises, according to art. 18, para. 1 of the same E.L. 942, the maximum limits of depreciation for the fiscal administration years 1948 and onwards, as provided by the Net Income Taxation Code and by this E. Law, are increased by 50 % for buildings, machinery and installations in general, operating in the provinces, i.e. those operating outside the former Capital area (see hereunder the measures under L.D. 2176. This L.D. improved the above mentioned provision of art. 18 para. 1 of the E.L. 942 of 1949).

3. According to Act. N° 206 of 1951 of the Ministerial Council the increased depreciation rates mentioned both under items 1 and 2 will be in force as from the date they were effective with regard to mining enterprises as well, the above mentioned provisions being extended to them.

II. *Tax exemption of new industrial profits*

1. According to art. 18, para 2 of E.L. 942 of 1949, the industrial enterprises operating outside the former capital area, i.e. the provincial enterprises, earning annual gross income over 1,000 million drachmae or those which are joint-stock companies, whatever the amount of their gross income might be, are entitled to a special deduction (reserve funds) from the profits of each of the fiscal years

from 1948 to 1955, up to 15 % of that part of their profits above the drs. 60 million limit.

Such reserve funds are exempted from the analytical tax and surtax under the Net Income Taxation Code, for the years during which they were formed. From these reserves however, any damages incurred during the years 1956 and onwards shall be deducted (see below, measures under L.D. 2176, II. This L.D. improved the above provision art. 18 para. 2 of the E.L. 942 of 1949).

On the other hand according to the art. 12 para. 1 of L.D. 2901 of 1954 the commercial and industrial enterprises (established either in capital area or in other district of the country) which are joint-stock companies or those having an annual gross income exceeding 3 billion drachmae, and keeping accurate accounting books, are entitled to request a 10 % tax exemption (from the fiscal year 1954—55) of the part of their net profits exceeding 75 million drachmae. This exemption will be accorded under the condition that the amount corresponding to the above percentage of 10 %, will effectively be used by the enterprise to new installations or to the increase and improvement of the existing installations, or as a special reserve for the enlargement of the turnover of the enterprise.

While the former provision of article 18 para. 2 of the E.L. 942 of 1949 provided for an exemption of a fixed period (from 1948 to 1955, which has been exdended by the art. 8, para. 1 and 2 of L.D. 2176 of 1952, till 1961), only for the industrial enterprises of the provinces, being jointstock companies or having annual gross revenue over 1000 million drachmae and exclusively for a reserve's formation, the recent provision of art. 12 para. 1 of L.D. 2901 of 1954, provides exemption for an unlimited period for all the commercial and industrial enterprises, being joint-stock companies or having an annual gross revenue exceeding 3 billion drachmae.

It is to be noted that this exemption applies both to the firm established in the district of Capital or in the other districts of the country, and this is so not only on account of the constitution of a reserve, but also for the purpose of increasing fixed investment of the enterprise.

2. Prior to the provisions, the older law 2948 of the 12th of August 1922 re: "Promotion of industry and handicraft" had determined in para. 1 of art. 12, that the joint-stock companies founded as from its effective date, with a capital of at least five million drachmae, for the establishment or extension of important industries and handicrafts serving National Economy, shall be exempted from the net income tax on the dividends of their shares,

provided such dividends do not exceed 5 % of the nominal value of the shares.

III. *Period for covering of losses*

According to art. 3, para. 2 of E.L. 942 of 1949, as from the fiscal year 1947 and onwards, provided the relevant enterprises keep accurate books, losses occuring during one fiscal year will be deducted from the net profits of the following year and in the case of any outstanding balance, from the net profits of the next year.

IV. *Tax exemption of a more general nature*

1. An indirect way to facilitate investments in provincial enterprises was the abolition by art. 1 of Law 843, 1948, for "Abolition of taxes on the circulation of goods and supplementing revenue deriving therefrom", of toll charges which constituted a serious impediment in the development of provincial industry, in view of the fact that these charges considerably increased the cost of the industrial products transported to he consumer centres.

2. The following has been enacted by virtue of the KH Bill of 1947, re: „Granting of facilities for the erection of buildings by private individuals" (art. 1) and of R.D. dated October 22nd, 1947, issued to implement the Bill:

(a) A tax exemption is granted on buildings as well as immunity from any additional tax or duty in whole through March 31, 1955, and in part through March 31, 1960, according to a scale to be provided for by R.D. which will be issued pursuant to para. 4 of said Bill.

(b) Such exemption or immunity concerns: In the first place the buildings erected after January 1st 1945 through December 31st 1952, or their extension, in the second those completed after March 1st 1945, and those being completed or restored, and in the third the buildings undergoing thorough repair so as to become usable, by making good the damage due to the war, to acts of God, acts of violence and to requisition, which rendered the structures unserviceable without thorough repair.

By R.D. to be initiated by the Ministerial Council, the said time limit determined as above on December 31st, 1952, may be extended for five more years.

V. *Tax exemption on the import and circulation of capital goods within the country*

1. According to article 6 of L.D. 1211 of October 27, 1949, re:

"Amending and supplementing the provisions of certain taxation laws", any machinery imported by industries and handicrafts, parts or accessories, thereof, coming under certain import duty categories and destined to replace old machinery, to extend or improve existing enterprises or to establish new ones, are subject to a lower rate of turnover tax (1,5 % instead of 6 %), to a lower emergency war contribution under art. 14 of E.L. 942 of 1949 (the $^{2}/_{3}$rds of the turnover tax levied on the value of same, i.e. from 4 % to 1 %) and to a reduced rate of tax as provided in art. 4 of E.L. 843 of 1948 (4 % of the value of the imported items were reduced to 1 %).

Thus, the charges from the above three taxes were decreased from 14 % to 5 %.

It should be noted, however, that this provision of art. 6 of L.D. 1211 was valid until February 28, 1950 and was abolished by E.L. 1419 of February 23, 1950, re: "Ratification of the Annecy protocol".

Under art. 6 of this law, the percentage rate of the turnover tax has been decreased from 6 % on the value of imports to 3 % in the case of imported machinery, parts or accessories, which come under the same as above taxation categories, as from March 1st, 1950. Similarly, by articles 3 and 4 of this Law the extraordinary war contribution on imports generally, as well as the tax of article 4, of E.L. 843 amounting to 4 % on the value of the imported goods, were abolished as from March 1st, 1950.

2. According to article 6 of E.L. 1851 of 1951, re: "Amendment of provisions governing mines", mining enterprises importing machinery other than cars, to be used as research equipment and, generally, for the exploitation of mines, are entitleed to pay only half of the duties now in force as well as of all kinds of taxes for the State or for third parties, following a relevant decision of the Minister of Industry and approval of the Minister of Finance.

3. Before the provisions in question, the aforesaid old Law 2948 of August 12, 1922 as already mentioned, re: "Promotion of industry and handicraft" determined, in art. 13, that customs duty exemption or even exemption from communal duty is granted in the case of both important industry and handicraft plants, of service to National Economy, with regard to the import of timber, of iron rods, and other similar items for their mechanical equipment, whenever it has been ascertained that appropriate local production is lacking, following the approval of the advisory industrial council and by virtue of an act of the Minister of Finance and National Economy even of the Minister of the Interior.

THE RECENT TAX FACILITIES GRANTED TO PROVINCIAL INDUSTRIES

By the L.D. No. 2176 of August 2, 1952, re: "Measures for protecting provincial industry", and by the L. 3213 of April 30, 1955 re: "Amending and supplementing provisions on measures protecting provincial industries", new financial measures were adopted to to encourage investments in provincial industries, more favourable compared to the measures already mentioned which were provided in the aforesaid general Laws. The said legislation included other measures as well, connected with the questions of industrial decentralization, marketing, credit and installation by which the State effort for the promotion of Industry in he provinces, has been so clearly manifested.

It should be noted that the above legislation is of great importance indeed, because it constitutes the beginning of an "économic decentralization" of the country and the "economic decongestion" of the Athens-Piraeus area, planned a long time ago.

The financial measures pertaining to this law refer to a total of six categories, of which four come under the aforesaid categories, I, II, III and V, as already stated in the beginning of this paper, and the two others form new categories differing from te former.

The financial measures of the six categories will briefly be described hereunder.

1. *Increase of depreciation rates*

Pursuant to article 8, sub-section 1 of L.D. 2176, 1952, amending the provisions of article 18 referred to above of E.L. 942, 1949, the maximum depreciation limits for 1952/1961 fiscal years as provided for in the provisions of the Net Income Tax Code and E.L. 942, concerning industrial undertaking, are increased by 100 % in the case of buildings, machinery and installations in general, of provincial industries.

But it is remarquable to know that in accordance to article 11 para. 3 of L.D. 2901 of 1954, the coefficient of the additional depreciation was reduced, as above mentioned, by the half and the increase of 100 % is refered to this reduced coefficient.

In addition it is to be stressed that according to the above mentioned provision of L.D. 2901 of 1954, the *usual* and *additional* increase of 100 % of the depreciation, refers to the industries which are established out of the district of Attica (and Lauretiki Municiality).

For the industrial firms established out of the former district of

the Capital, which on entering in force of the L.D. 2176 of 2 August 1952 were dealt with by the provisions of art. 18 para. 1 of E.L. 942 of 1949 (increasing as mentioned the maximum limits of the usual and additional depreciation by 50 %), is still applied the provision increasing the maximum limit of depreciation by 50 %, according to a special clause of the art. 11 para. 3 of L.D. 2901 of 1954.

II. *Exemption or reduction of taxes on new industrial profits*

1. Pursuant to the same sub-section, para. 2 of article 8 of the above L.D., industrial undertakings keeping 4th category books under L.D. 578, 1948 (namely those earning gross annual income exceeding 3 billion drachmae, or having the status of joint-stock companies irrespective of their gross annual income, see R.D. re: "Code for Taxation date" dated July 7, 1952, art. 2, sub-section 2), are entitled to effect a special deduction up to 25 % of the part of their annual net profits of the fiscal years 1952—1961, exceeding the 60 millions drachmae limit of that profits, resulting from industrial processing, carried out by means of provincial industrial plants.

The above deduction is exempted from the analytical tax and surtax under the Net Income Code, during the years for which it was provided.

Nevertheless by the subsequent provision of art. 8 of L. 3213, 1955, the percentage of 25 % has been raised to 40 %. Regarding industries, handicrafts and hotels for tourism established in islands the percentage of 40 has been raised tot 80. By the same provision the abovenoted limit of 60 million dr. has been abolished.

2. Apart from this special tax exemption, another one is provided for of a general character, in art. 4, sub-section 1 of L.D. 2176, 1952. Pursuant to this sub-section the turn-over tax each time determined by the provisions in force, is reduced as from the validity of L.D. 2176 by 20 %, in the case of industries established outside Attica District area as well as in Laureotiki Municipality.

In the case of industries being established or transferred outside the above region, the said tax is reduced by 30 %.

3. This tax is reduced by 30 %, in respect of industries established in the islands.

Regarding industries to be established in or transferred to the islands, the said reduction is fixed at 40 %.

4. The art. 3 of L. 3213 provides full exemption from the above tax in the case of provincial power untertakings.

III. *Period for covering losses*

The above mentioned sub-section 1 of art. 8 of L.D. 2176, provides

in para. 4 that any losses incurred by provincial industries during 1962 fiscal year onwards, will be covered by the untaxed special deduction of 25 % of the annual net profits over and above the 60 million limit, referred to a new lines previously. But this limit of 60 million dr. has been abolished, as mentioned above.

V. *Tax exemption on Imports*

L.D. 2176, 1952, does not include any provision falling within the scope of category IV (tax exemptions of a general character) according to the classification observed herein. Therefore, just after category III described above, category V is referred to immediately below, the IVth one having been left out.

1. Pursuant to article 4, sub-section 2 of L.D. 2176, 1952, the custom duties, duties and taxes on the import of machinery, spares and accessories required for the installation and operation of industries, are reduced by half, in the case of those being established outside Attica District after the effective date of said L.D.

2. Pursuant to sub-section 3 of the above article, provincial industries now in operation shall be entitled during five years as from the effective date of L.D. 2176, 1952, exactly to the same exemptions in respect of the import of machinery, spares and accessories, provided they are to replace old ones or to serve for the extension of such industries and are imported under their name.

These provisions of the sub-section 2 and 3 of art. 3 of L.D. 2176, 1952, have been replaced by art. 4 of L. 3213, 1955, which provided total exemption from custom duties, duties and taxes on the import of the above mentioned capital goods, and abolished the time limit of five years.

The art. 3 of L. 3213 provides the same exemptions for the liquid fuels, imported by the provincial power undertakings for the production of power.

3. The provisions referred to, of sub-sections 2 and 3 of art. 4 of L.D. 2176, are also applicable to machinery, spares and accessories received, following approval of the Ministry of Finance, on payment of half the custom duty, prior to the validity of said L.D., by industries destroyed during the guerilla warfare.

Prohibition regarding the levying of any special local tax contribution or charges

Article 5 of L.D. 2176 prohibits from now on, the levying of any special local tax or contribution or any local financial charge of

any nature, on any provincial industry, in favor of any local Municipal or Communal authority or legal entity or any special Fund or Public utility.

Drawback of duties and taxes

Article 6 of L.D. 2176 provides for the drawback of duties and taxes to certain provincial industries, for the import of certain items.

Accordingly, during three years as from the effective date of the L.D., duties and taxes on fuels imported by provincial power undertakings are refunded to them.

Time and extent operating of L.D. 2176 and L. 3213

Finally, it must be added, that article 9 of L.D. 2176 states that the privileges provided therein, shall have effect, unless otherwise determined in it, during a period of ten years. By a R. Decree to be promulgated by the Ministers of Coordination, Finance and Industry, these privileges can be prolonged for a further five years' period. But this limit of ten years, has been abolished by art. 11 of L. 3213, 1955. Furthermore by art. 12 of the same law the provisions of both laws 2176 and 3213 have been extended to the handicraft and tourism hotel undertakings of the provinces.

PART "B"

BUDGET AND FINANCIAL PROVISIONS FOR THE PROMOTION OF INVESTMENT

At this point of the paper, the financial repercussions of the above mentioned financial measures for the promotion of private investments in production and particularly in industry, will be briefly described. Greece as a country whose economic development is rather slow and with unutilized local resources, depends for its economic development on the exploitation of its natural wealth and therefore makes every possible effort for the encouragement and promotion of private investments.

The aforesaid financial measures for facilitating private investments led naturally, to the reduction of state budget revenues, which it is not easy to determine quantitatively. However, it should be stated that such reduction has considerably been compensated by the increase in said revenues resulting from a higher economic activity of local enterprises which have been prompted to form new

capital. In fact, this was observed in the case of building material enterprises, whose production and activities, developed, owing to the economic measures provided in the KH 1947, Bill.

Nevertheless, setting aside such compensation, whatever its degree may be, with regard to the increase in investments, in a country such as Greece, the reduction in Budget revenues cannot obviously constitute in principle, a decisive criterion for furthering or not private investments.

Besides, Greece has every reason to foster private investments not only owing to the low degree of her economic development, but also for increasing State revenues in future. It is well that judging the thing in the long run (and taking as given the "propensity to consume", which determines the production of a corresponding part of income), the factor settling the volume of social income and consequently that of the taxable material, is the volume of investment. Therefore, any increase in the total volume of investments, leads, by increasing social income, to the rise of budget revenues.

PART "C"

SOME THOUGHTS ON THE VALUE OF FISCAL MEASURES ADOPTED FOR ENCOURAGING PRIVATE INVESTMENT

In this part of the survey certain considerations of a general character regarding the effectiveness of the financial measures taken for the encouragement of private investments especially in industry will be exposed.

The formation of these thoughts will follow the breakdown by categories which was adopted in presenting these measures in the first part of this work.

I. *Increase in depreciation rates*

By the system of "accelerated depreciation", as applied in Greece in a non-integral form, it is intended to set up a strong incentive for widening the range of private enterprise saving and the consequent possibility of new investments, with a view to expanding and modernizing their productive facilities, with no definite loss of tax revenue to the Government (See *J. Koulis*, "The Income Tax as a factor for developing the Greek Economy", Athens, 1953, p. 154).

As a matter of fact, if the value of a fixed property asset, whose economic yield would normally last, say, for ten years, is depreciated

within five years, the loss to be suffered by the Treasury during those five years will be counterbalanced by the increase in its tax income during the five succeeding years of the operational life of the said asset. The additional depreciation provided by article 3, para. 4, Emergency Law 942 of 1949 concerns mainly, as it appears from its very wording, manufacturing industries, but it also refers to any business enterprise possessing its own mechanical and building facilities. No discrimination is made in the law (see also *N. Arealis*, "The fourth income tax category", Athens, 1954, p. 17) among business concerns of the same field (say, industry) by branch of enterprise (i.e. textile industry). This omission constitutes an impairment of the above provision, in view of the fact that in Greece there is need for aiding certain industrial fields more than others. Such preferable fields are mainly those processing local raw materials as well as minerals and, generally, ores produced within the country. The importance of assisting these latter fields is obvious for obtaining specialized workers and technical experience — indispensable factors in accomplishing the processing of local minerals and ores within the country through the establishment of appropriate industries, as that processing is provided by the Program of the Economic Development.

The *additional* annual depreciation rates of 5 % and 12 %, as laid down by the above provision, are satisfactory and raise very considerably the ordinary depreciation rates, designated each time by the relevant Decree. These additional depreciation rates constitute therefore a substantial incentive for widening the saving basis of the enterprises and for expanding investment. Thus, if the ordinary depreciation is set annually, for instance, at 10 % of the acquisition value of a fixed property item and this value amounts presumably to 100 million drachmae, the absolute amount of the ordinary annual depreciation is 10 million drachmae. The above percentage of 10 % is increased, in accordance with the commented provision, by 5 % in the case of buildings (i.e. the 10 million are increased to $10 + 5 = 15$) and by 12 % in the case of other fixed property items (i.e. the 10 million are increased to $10 + 12 = 22$ million).

But it is to be noted that the above mentioned percentages of the additional depreciation were reduced to the half by the art. 11 para. 1 of L.D. 2901 of 1954 and so the sums of the example are correspondingly reduced (that is to say for buildings the 10 millions amount to $10 + 2{,}5 = 12{,}5$ — instead of 15 — and for other fixed assets the 10 millions amount to $10 + 6 = 16$, instead of 22).

Special treatment has been provided for industrial enterprises in the provinces by articles 18, para. 1 of Emergency Law 942 of 1949,

by increasing the highest depreciation limits by 50 % (i.e. the depreciation of 10 + 5 and 10 + 12 mill. drachmae of the previous example is increased to 10 + 5 + 7,5 = 22,5 and 10 + 12 + 11 = 33 millions).

Obviously it is to be noted that the above mentioned reduction of the additional depreciation's percentage by half, reduces the sum of the example for building from 10 + 5 + 7,5 = 22,5 to 10 + 2,5 + 6,2 = 18,7 and for other fixed assets from 10 + 12 + 11 = 33 to 10 + 6 + 8 = 24.

This treatment was made still more favorable by article 8 para. 1 of Legislative Decree 2176/1952, which amended Emergency Law 942 of 1949 and increased the highest depreciation limits from 50 % to 100 % (i.e. the 22,.5 and 33 mill. drachmae depreciation, is increased to 10 + 5 + 15 = 30 and 10 + 12 + 22 = 44 million respectively).

It is noticeable that the above mentioned reduction of this additional depreciation's percentage by half, reduces also correspondingly the sums of the example (that is to say for buildings the sum of 10 + 5 + 15 = 30 amounts to 10 + 2,5 + 12,5 = 25 and for other fixed assets the sum of 10 + 12 + 22 = 44 amounts to 10 + 6 + 16 = 32).

This increase is of course considerable; it loses however, a great part of its importance, firstly because it is limited to the industrial sector of the economy, as well as to the handicrafts and tourism-hotel sectors, and secondly *because industries in the provinces represent about 30 % only of the whole industry of the country,* the balance of 70 % having been concentrated around the capital area.

These deficiencies of Legislative Decree N° 2176/1952 were of course fully realized by the legislator. However, they can be easily explained by the fact that the franchises provided were designed not to expand investment and renew facilities of industries in the provinces, but to suspend the tendency of concentrating the industrial activity of the country within the capital area.

Nevertheless, this very important purpose of L.D. 2176/1952 does not unfortunately seem to be realizable. Indeed such are the advantages enjoyed by the Athens industries, that only very radical measures of a general character for economic decentralization would lead to industrial decentralisation.

For that reason, the financial and other measures provided in L.D. 2176, 1952, and in L. 3213, 1955, should rather be considered as such, for keeping alive provincial industry, than for achieving industrial decentralization. In connection with this important subject of "Economic Decentralization" we refer the reader to the two

noteworthy articles of *Dem. Tsougos* published on July 6, 1949, and January 8, 1953, in the Athens newspaper "VIMA" where the subject is briefly but soundly reviewed.

From the comments above set forth, it is to be presumed that to enable the system of "accelerated depreciation" to operate in an integral form in Greece, certain readjustment of it to the country's particular circumstances is necessary, so that it may more completely contribute to the promotion of private investment.

The suggested readjustment covers the following three points:

(1) The possibility of the "original depreciation" (i.e. high rate depreciation granted during the early formative stage of a fixed property item), should be preserved only in case of new investments and be only restricted to such enterprises as are in a position to keep the necessary accounting records and can be subjected to an effective control.

2) The possibility of the "original depreciation" should be confined to such kinds of investment as will be found to be of particular importance to the country's economic development.

(3) This possibility should not be localized to the industry and some other fields but be extended to such productive fields as will be found to be of importance to the country's economy, regardless of the location of their installation (in the capital or provinces).

II. *Tax exemption of new industrial profits*

Tax exemptions of this category cover only the profits of provincial industries, handicrafts and hotels for tourism, irrespective of whether the investment was made or not in the enterprise from which such profits derive or in any other enterprise. These exemptions are therefore serving the same purpose as the additional depreciation, namely the widening of the saving margins of the enterprises. Their ulterior aim, of course, is the increase of investment in industry, handicrafts and hotels for tourism, but they do not provide the procedure and means of attaining this aim. At this point, indeed, there is a substantial flaw in the relevant legal provisions.

Let us consider now the value of these provisions in regard to the widening of saving margins of provincial industries, handicrafts and hotels for tourism, which is demanded in a direct way.

In the first place, the profit tax exemptions that have been enacted since 1952 and up to 1961 on behalf of provincial industries e.t.c. for the purpose of enabling them to set up special reserve funds, constitute a tax discrimination in favor of said industries e.t.c. to the detriment of the enterprises of productive fields in the provinces,

other thans industry e.t.c., which fields also require assistance to increase their saving margins. Such fields are mainly, mining industries.

Secondly, tax exemptions for industrial e.t.c. enterprises in the provinces are granted to all industrial e.t.c. enterprises in the provinces without discrimination between some of them as being considered of special importance to the Greek economy and its development.

Thirdly, the ceiling of tax exemption of the profits of industrial enterprises in the provinces, covers not all of the taxes paid by these enterprises but only the analytic and synthetic taxation (overtax) provided by the Income tax. Code for the years during which the special reserve fund is set up, which is in fact, the main taxation imposed on the above enterprises.

This ceiling, fixed by Emergency Law 1942 of 1949 at 15 % of the part of the net profits exceeding 60 million drs. of said enterprises and increased under L.D. 2176 of 1952 to 25 % (this limit of 60 million drs. being abolished), is surely substantial and will contribute to the increase of the saving margin of provincial enterprises, handicrafts and hotels for tourism.

Its importance however is greatly reduced, for, as previously stated, the provincial industry covers about 30 % only of the country's industry as a whole.

In addition it is to be noted that the validity of the above provision of E.L. 942 and of L.D. 2156 has a limited time duration (1948 till 1955 and later till 1961).

Similar to this provision is the above noticed provision of L.D. 2901 of 1954 (art. 12 para. 1) which has an unlimited time duration and which defines that the commercial and industrial firms in general, being joint-stock companies or having annual gross revenue exceeding 3 billion drachmae (anywhere located within the country), are entitled from the fiscal year 1954—55 to request a tax exemption of a percentage up to 10 % on the part of their net profit exceeding 75 million drachmae.

This provision establishes, in any case, a lower percentage of non-taxable deduction on new profits (10 % instead of 25 %) and increases the limit of net profits from which begins the non-taxable deduction (from 60 million 75 million), but it has the advantage however of being applicable on every industrial and commercial firms located anywhere in the country, and of being of an unlimited time duration.

Beside tax exemptions of the profits of industrial e.t.c. enterprises in the provinces, L.D. 2176 of 1952 provides also for a reduction of the business turnover tax which is a form of indirect taxation and is paid by the purchasers of products of the enterprises.

This reduction amounts to a considérable rate (20 %, 30 %, 40 % of the business turnover tax) and undoubtedly contributes to the widening of the saving margins of provincial industries e.t.c. The above reduction, however, was imposed not so much for the purpose of ultimately increasing investment, as for enabling the provincial industries and especially those operating on the islands and facing a very difficult situation, to survive.

From the foregoing three observations on the tax exemption of the profits of industrial e.t.c. enterprises in the provinces, it is presumed, that in order to accomplish the final objective of the law, the following measures should be taken.

(a) Profit tax exemption be extended to certain fields of production, other than industries, handicrafts and hotels for tourism, which are of particular importance to the Greek economy.
(b) The same provision be applied not to the whole industry and certain other sectors of production, but be confined to certain types of enterprises within these sectors, which are of particular importance to the development of the Greek economy.
(c) The same provisions be supplemented (after such time at least as may be considered necessary for the strengthening of the enterprises favored by the tax exemptions) both by mentioning the kind of investment to which the untaxed special reserves should be directed (with the understanding that in case of non-compliance by the enterprises, the profit tax exemption would be waived) and by determining a differentiation in the height of untaxable special reserve fund, according to the importance of each category of enterprise and the size of each enterprise.

III. *Time of covering losses*

The provision of art. 3, para. 2 of E.L. 942/1949, according to which any possible loss incurred by an enterprise during a business year is deducted from the profits of the next or the immediately succeeding business year, was inserted for reasons of fiscal justice and for the accommodation of enterprises.

Prior to the E.L. 942/1949, and specifically from 1919 to 1946, there was applied *the principle of autonomous business year* according to which the losses of a given year were not deducted from the profits of the succeeding years, when determining the taxable income, but were exclusively charged to that year. In view however of the fact that this provision did not constitute a fair settlement of the question, the taxable enterprises were compelled to conceal a

part of their profits of the years following the loss year, in order to cover by that part the loss in question. This hiding however gave rise to certain suspicions to the fiscal officers, which resulted in long tax lawsuits.

It is obvious, therefore, that the fair settlement of this question by E.L. 942/1949, through a very indirect way encouraged the decision of the enterprise owners to extend the investment of fixed capital.

Besides this provision, E.L. 942/1949, comprised another provision whereby it was laid down that from 1956 any loss incurred by the industrial enterprises in the provinces will be deducted from the above mentioned special untaxed reserve fund, which will amount to 15 % of the over 60 mill. drs. part of their net annual profits. This provision introduces an additional support on behalf of provincial industrial enterprises in the case of their sustaining losses.

This additional assistance was increased by the legislator through L.D. 2176/1952. According to this L. Decree any possible losses of the provincial industries from 1962 on, will be deducted from a special untaxed reserve fund, which will amount to 25 % of the over 60 mill. drs. part of their net annual profits.

L.D. 2176/1952 purposely fixed the year 1962 as the starting point from which losses will be covered from the above mentioned untaxed reserve fund. In fact, under art. 9 of this Legislative Decree, as of 1962 all franchises extended under it to provincial industries cease in principle to operate. But this article has been abolished by art. 11 of L. 3213, 1955, as already stated.

IV. *Tax exemptions of a more general nature*

1. The existence of the out-of-date system of toll charges (i.e. tax on the circulation of goods) and its various violations to the detriment both of tax payers and of Public Organizations, on behalf of which such tolls had been imposed, had created an unbearable situation in industries, especially in the provincial ones, and more generally in the movement of products from place to place. It would not be an exaggeration to state that the toll charges as well as the taxes in favor of third parties, the abolition of which is now under consideration, were a real plague to Greek Economy. Under these circumstances, the abolition of toll charges was a substantial relief to the cost of products, especially those produced in the provinces, and more generally to the cost of transported goods.

2. On the other hand, the measures of the Bill KH considerably developed investments in buildings. However, this was limited to urban centres, and, which is even worse, mainly to the Capital area.

Buildings in the open country, which sustained heavy damage during the period from 1941 through 1949, was not furthered by the set measures.

Unfortunately, buildings not even in other urban centres of the country, except mainly the Capital itself, were promoted by the said measures.

Nevertheless, the final opinion regarding the effectiveness of the measures of the KH Bill should be favourable.

In fact, after 1947 when the guerilla warfare was in full swing, private investment even in towns, were very limited and a considerable part of current savings was directed to the purchase of gold sovereigns, namely to hoarding.

In contrast to these conditions, investments in urban real estate (appartment buildings in the Capital) resulted in the increase in effective demand, in labour employment, in the expansion of the overall economic activity and in the increase in the social income.

At a time during the country's economic evolution, when investment, employment and income are on a low level, while hoarding and smuggling capital abroad, were considered by the public as the best methods for securing property, the promotion of private investment even in urban luxury buildings (investment in capital goods of a consumption character) is a far better system, than the total acceptance of the deplorable reality and abstention from any measure aiming at the promotion of private investments.

This method is much more preferable since public investments do not or cannot possibly amount, in our country, owing to the intense „liquidity preference" of the public, up to a figure covering the difference between the total savings and the total investment. In this connection very caracteristic are the views of Lord *Keynes*, formulated in the "General Theory on Employment, Interest and Money" (London 1936, pages 128-9): "When — says *Keynes* — involuntary unemployment exists . . . "wasteful" loan expenditures may nevertheless enrich the community. Pyramid building, earthquakes, even wars may serve to increase wealth, if the education of our statesmen on the principles of the classical economics stands in the way of anything better . . . It would, indeed, be more sensible to build houses and the like, but if there are political and practical difficulties in the way of this (*Keynes* means the unearthing of old bottles filled with paper money and purpously burried in disused coal mines), the above would be better than nothing".

Of course, since hoarding has been suspended already from April 1952, private investments in real estate should be restricted and savings should be directed to strictly productive investment.

In this field new prospects exist for the country's economic policy, which should contrive suitable measures for the purpose. In passing, let us say this is quite possible to do.

Rightly, therefore, by subsequent Royal Decree of the 20th March 1951 re: "Partial abolishment of the tax exemption provided in the KH Bill of 1947", the tax exemption under the said Bill was partly abolished in order to discourage investments in more or less luxury buildings and to encourage investments in popular and other similar dwellings.

V. *Tax exemptions on the import and circulation of capital goods within the country*

The provisions of this category, which determine tax exemptions on the importation of capital goods, were enacted to facilitate the renewal and improvement of the capital equipment of industrial, handicraft and mining enterprises. This equipment was worn out during the war and enemy occupation, without the opportunity being provided for their rehabilitation and modernization.

The speedy filling of above two needs was prevented, through both the economic difficulties encountered by the enterprises after the enemy occupation and the world-wide scarcity of capital goods, which occurred after the war, owing to the strong demand for such goods by the various countries under reconstruction.

It should be noted that the older relevant Law 2948/1922 was much more serviceable in the case of imports from abroad of some principal capital equipment items for the enterprises, since it released them entirely from the payment of custom and municipal taxes. This law was in force for six years, and substantially contributed to the development of industry during that period.

Just as in the previous categories of legal provisions on tax exemptions designed to encourage private investment, so in this categorie these exemptions are higher in the case of imported capital equipment for provincial industries.

These higher exemptions however lose a considerable part of their importance for the already repeatedly mentioned reason, that the provincial industries cover only 30 % of the country's industry as a whole.

Prohibitions of any local special taxation or contribution on provincial taxation and drawback of duties and taxes

The provisions of these two categories of fiscal measures for the encouragement of private investment, which were introduced by

Legislative Decree 2176/1952 are, as stated above, new provisions, hence they are not encountered in the above (Part A) made general five category classification of these fiscal measures.

(1) The prohibition of any local special taxation, charge or contribution in any form whatsoever on any provincial industry, on behalf of Public Organizations of every nature or for public purposes, concerns of course the imposition of new such taxations and charges. The old taxations and charges "on behalf of third parties", which constitute a really unbearable burden for the cost of products, continue to be in effect. On the other hand it should be noted that since L.D. 2176 has not from legal point of view any increased formal power, the preservation of said provision only depends on the ordinary legislator. If he so wishes, he can include a provision in the law opposing the definitions in article 5 of L.D. 2176.

(2) The return of taxes and duties to provincial power companies, as provided by Legislative Decree 2176/1952, which were paid for fuel imports received by them over a three-year period from the effective date of this Legislative Decree, constitutes a facility of small importance. Indeed, the time since which this return has been in force is very short, and, in addition, the privilege grant is not general but covers only one kind of enterprises, namely the power enterprises. The importance therefore of this facility is of an entirely specific and temporary character.

CONCLUSION

From all previous commentary and especially from the critical examination of the fiscal measures taken to encourage private investment, it is presumed that most of the above measures in force today, are inadequate and only slightly contribute towards the success of the objective set, that is to say the encouragenemnt of private investments.

A substantial exception to the above is, first the measures enacted by article 3, para. 4 of E.L. 942/1949 on additional depreciation, whose level nevertheless has been reduced to the half by the art. 11 para. 1 of the L.D. 2901 of 1954, second the measures enacted by the 1947 KH Bill, which were really radical and efficient, and third the measures provided by L.D. 2176/1952 and L. 3213, 1955 for the protection of provincial industry, handicrafts and hotels for tourism, which though radical are not efficient, for the reasons set forth above.

Finally, as evidence to the argument formulated just previously,

that most of the financial measures in force nowadays for the encouragement of private investment in general and in industry in particular, are poor, we can state that the previous law 2948, 1922, referred to in the first part of our paper, provided for more radical measures than those now in force, since it totally exempted from custom duties and taxes the items of capital equipment imported from abroad by important industries and handicraft.

NOTE 1: Greek contributions to the subject are the book of Athens University Professor Mr. *John Koulis:* "The income tax as a factor for the development of Greek economy", Athens 1953 (published by A. Papazissis). This book treats in extent, both theoretically and from the aspect of Greek economy, several subjects dealt with in this paper. In addition see *P. Zacopoulos,* "Taxation measures for encouragement of private saving and investment", in "Bulletin of tax legislation", Athens 1954.

Earlier Greek works dealing in theory with the question treated in this paper are the study of Professor *X. Zolotas,* "Taxation, saving and investment", reprints from the "Etudes dédiées à la Mémoire d'A Andreades", Athenes 1939 (printed by "Pyrsos") and that of Professor *J. Koulis* the "Influence of Taxation on the supply of capital" which appeared in the "Review of Economics and Finance" 1943, fascicule A-B, page 37—56 (published by A. Papazissis).

NOTE 2: The drachmae mentioned in the present study are "old". Since 1st May 1954, they have been replaced by new drachmae on the basis of 1 new drachmae = 1000 old drachmae.

NOTE 3: The provisions examined above of E.L. 942, 1949, L.D. 2176, 1952 and L. 3213, 1955, have been maintained in force by art. 7, sub-section 2, of the L.D. 3323, August 12th, 1955, re: "Income tax", by which the new income tax system (unified income tax) has been introduced in Greece.

LA LEGISLATION FISCALE ET L'ENCOURAGEMENT DE L'INVESTISSEMENT PRIVE EN GRECE

PAR STYLIANOS POULOPOULOS

RÉSUMÉ

L'objet de ce travail est, 1°) la présentation systématique des mesures fiscales prises en Grèce pour l'encouragement des investissements privés en général et plus particulièrement destinés à l'industrie, 2°) l'estimation de leur influence sur le Budget de l'Etat, 3°) leur évaluation critique.

Ces mesures sont exposées dans la première partie et sont classées en catégories, soit (a) augmentation des pourcentages d'amortissement, (b) exemptions et diminutions des impôts sur les nouveaux profits, (c) délai de récupération des pertes, (d) exemptions et diminutions des impôts à l'importation.

Les plus considérables de ces mesures se réfèrent, 1°) aux amortissements additionnels, 2°) à la protection de l'industrie, de l'artisanat et de l'hôtellerie touristique, localisés en provinces, 3°) à l'accroissement de la construction.

L'influence des mesures fiscales pour l'encouragement des investissements privés sur le budget de l'Etat est examiné dans la deuxième partie et l'opinion que la diminution des recettes publiques est négligeable est formulée, en même temps que l'augmentation de ces recettes à l'avenir est assurée en tant que résultat des investissements accrus.

L'évaluation critique de ces mesures est entreprise dans la troisième partie, en se basant sur les mêmes catégories, des améliorations concrètes étant proposées sur certaines de ces mesures, et l'efficacité des mesures fiscales sur la construction étant soulignée. D'autre part, l'on est enclin de penser que les mesures fiscales prises en faveur des entreprises provinciales mentionées ont comme résultat de permettre à ces entreprises d'exister plutôt, que d'augmenter les investissements privés.

L'étude se termine par une conclusion et fait mention d'une bibliographie sommaire.

DIRECT VERSUS INDIRECT TAXES: WELFARE IMPLICATIONS

BY RICHARD GOODE

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In a recent article, Mr. David Walker provides an excellent review of the controversy with respect to the welfare implications of direct and indirect taxes [1]). He shows that, except on special assumptions, it is not possible to demonstrate by deductive reasoning whether a person who is called upon to pay a given amount of tax will be better off if he is subject to an income tax or to an indirect tax. Furthermore, Mr. Walker, unlike several other writers, points out that the arguments applicable to the case of an individual cannot easily be extended to the community at large. The purpose of this note is to add a few comments on the latter phase of the subject. I do not intend to question any of Mr. Walker's reasoning or to dissent from his statement that considerations other than those related to economic welfare in a narrow sense usually govern practical decisions on taxation.

The controversy of the past fifteen years relates to only one phase of economic welfare — the extent to which taxation interferes with the „optimum" conditions of production and exchange (or, in some instances, the possibility that taxation may help correct a departure from optimum conditions). Another phase of welfare of at least equal importance is the effect of taxation on the distribution of income. An attempt has been made to avoid distributional considerations by dealing with only one person who is assumed to be required to pay a given amount of tax. In fact, however, particular individuals will pay different amounts of tax under alternative systems that will yield the same total revenue. A shift from one tax system to another always involves a reallocation of the tax load among individuals. A meaningful statement can be made about the consequences for welfare of the community only if it is possible to take account of the distributional effects as well as the influence on conditions of production and exchange.

The amount of tax paid by any individual under systems yielding the same total revenue will depend on several factors. With a poll

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[1]) „The Direct-Indirect Tax Problem: Fifteen Years of Controversy", *Public Finance*, vol. X, No. 2 (1955), pp. 153-76.

tax, all will pay the same amount-unless indeed some choose instead to emigrate or to go to jail. With an income tax, the payment will depend on the amount of taxable income that the individual is able and willing to earn. The amount of commodity or outlay taxes paid by a consumer depends on his income and his tastes. For most commodity taxes, the amount paid by consumers with equal incomes will vary widely depending on the place that the taxed items hold in individual preference scales. If consumption were the same for all those at each income level, the commodity tax could not be distinguished from an income tax. (Assumed uniformity of this type provides the rationalization for use of „external" indicators of income, such as the rental value of the taxpayer's residence, which are used in assessing income tax in several countries.) Owners of specialized resources employed in the production of a commodity subject to a differential tax also suffer losses of income and capital.

A shift from one tax system to another, therefore, involves a decrease in economic welfare of some persons and an increase in welfare of others. A judgment that the welfare of the community as a whole has been increased or decreased can be made only if some hedonistic or other criterion of welfare can be applied to the redistribution. On a hedonistic basis, evaluation of a redistribution requires the assumption that consumer satisfactions are subject to cardinal measurement and interpersonal comparisons of satisfactions are possible. If we believe — as many modern welfare economists have told us — that such measurement and comparison cannot be carried out, we must either conclude that the effect of a tax change on economic welfare of the community is indeterminable or have recourse to some nonhedonistic interpretation of welfare.

The older literature on welfare economics and taxation, for example the work of Pigou, was of course founded on the assumption that personal satisfactions are subject to cardinal measurement and summation. On the further assumptions that increments of income are characterized by diminishing marginal utility and that capacity to enjoy income is either equal or not related in any systematic way to amount of income received, the conclusion was reached that progressive taxes are less burdensome than regressive taxes. Inasmuch as progressivity can usually be more readily achieved by means of direct taxation than through indirect taxation, this line of argument led to a preference for direct taxes. Careful writers always conceded that some allowance should be made for adverse effects on production, especially by progressive taxes, but ordinarily no attempt was made to introduce these effects in a formal way into the appraisal of welfare implications.

the aggregate amount collected from persons in each income class is equal, an income tax is superior to a commodity tax, provided the two taxes have the same effect on the amount of work done. Taking as the base the after-tax income that would be left to each individual if an income tax were imposed, we may regard the substitution of an equal-yield commodity tax as a reduction in the net incomes of heavier-than-average consumers of the taxed commodity and an increase in the net incomes of those who consume less than the average of the taxed commodity. By virtue of the principle of diminishing marginal utility, the gains of those who benefit from the change will be smaller than the losses of those who pay more taxes. The redistribution among persons whose incomes were previously equal involves a net loss of satisfactions [2]).

Although the assumptions with respect to measurability and interpersonal comparisons of utility have been discarded by many economic theorists, my impression is that they, or assumptions resembling them, still underlie the thinking on questions of tax justice by many legislators (in the United States at least). But the formal principles are not strictly necessary for judging a reallocation of taxation.

Progressive taxation can be supported most simply on the grounds that a reduction in inequality of income is desirable in itself or that increments of income are typically devoted to uses that public opinion in most democratic countries considers of diminishing urgency. It does not seem an abuse of the term to include these considerations among the „welfare" implications of taxation. In principle, these distributional considerations should be weighed against adverse effects on the conditions of production and exchange to arrive at a comprehensive evaluation of welfare implications. In practice, probably the most that can be expected is that policy makers will explicitly recognize the existence of both sets of considerations in reaching decisions.

Income taxation has another characteristic which is relevant to a choice between it and commodity taxes. In many countries, the personal income tax is the most general tax in the sense that it covers the widest range of opportunities and comes nearest of all practicable taxes to exacting the same contribution from all persons with the same income and family responsibilities. In other words, the income tax probably involves fewer „unintended" differences in taxation than do most commodity taxes. This is true even though the uni-

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[2]) Cf. Marshall's explanation of why gambling involves an economic loss (*Principles of Economics*, 8th ed., London, 1938, p. 135). A similar argument could be made with respect to the losses of producers of the taxed commodity and the gains of other producers.

formity and universality of the income tax have often been greatly exaggerated in both popular and theoretical discussions. On these grounds, the income tax is preferable to commodity taxes unless the latter are imposed for the deliberate purpose of penalizing or discouraging production and consumption of the taxed commodities.

TAXATION AND ECONOMICS

A comment

BY DAVID WALKER

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Mr. Goode's [1]) main point is that recent discussion of direct and indirect taxation has been concerned only with one aspect of the problem — that relating to interference with the optimum conditions of production and exchange — and that writers have neglected the fact that income and outlay taxes raising the same revenue have different effects upon the distribution of income and, by this route, on economic welfare. I am in complete agreement with Mr. Goode on this point and, more generally, I am convinced that an economist writing on taxation matters needs to take a quite comprehensive view of the effects of the taxes he is examining.

When an economist studies a particular tax or compares the relative advantages of one form of taxation with another he is usually trying to do one of two things. Either he is trying to make up his own mind about the tax or taxes or he is interested merely in setting out their effects. In the latter case he is either making the examination for purely scientific reasons or because he is convinced that those who have to take decisions on tax matters should take them with their eyes open to the full implications of the various choices before them. No matter which of these motives lies behind a particular piece of research it is obvious that what needs to be known is the complete or total effect of a particular tax or tax change.

The implications of making such a comprehensive examination are quite far reaching. Consider, for example, the merits of income and

[1]) This note is the result of the Editor's suggestion that I might like to comment on Richard Goode's article in the current issue of this Journal.

outlay taxes as methods of taxing personal incomes. If a steeply progressive tax system is desired an income tax is essential as it is not practicable to design an outlay tax system with these characteristics. If, on the other hand, a major objective is to limit the consumption of some particular commodity this, for similar reasons, necessitates outlay taxes. Comparisons of the relative costs of administration, effects on savings and incentive, and the extent to which the community will regard the tax as 'fair' have also to be made.

Or consider Death Duties. Over the years Death Duties will bring about certain quite fundamental changes in the social structure and alter the sort of community in which we live. They also produce all sorts of anomalies as between tax payers which offend against the principle that tax payers in similar material circumstances should be treated alike [2]). In examining Death Duties the economist surely should not ignore such considerations and devote all his attention, to, say, a comparison of the relative burden, on an individual tax payer of an income tax and a death duty bringing in the same revenue.

When engaged in making up his own mind an economist obviously takes a comprehensive view and consciously or unconsciously weights all the different effects in some way according to his personal preferences. The conclusion that emerges is by no means "just a personal opinion" as before the weighting process can be carried out the analysis has to be done; that is the effect of the tax or tax change on income distribution, incentives etc., has had to be worked out.

The problems of 'simplifying assumptions' and 'abstractions' only arise when the economist is doing scientific work for if the work is directly designed to help governments or individuals responsible for formulating tax policy the analysis that is done is of the same type as that required for coming to a personal judgement — though, of course, the judgement itself need not be made. In doing scientific work, however, — research for its own sake — the temptation (and the practice) is to simplify by making assumptions, confining attention to one particular aspect of the problem. This attitude has been most pronounced in recent discussions of income and outlay taxes [3]) but it has also occurred in studies of other taxes.

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[2]) For an excellent discussion of these anomalies see C. Lowell Harriss, "Sources of Injustice in Death Taxation", *National Tax Journal*, December, 1954, Vol. VII, No. 4

[3]) See my article, "The Direct-Indirect Tax Problems: Fifteen Years of Controversy". *Public Finance*, Vol. X No. 2.

Now we cannot lightly criticise the so-called partial approach and the making of *ceteris paribus* assumptions. In many branches of economics such methods have yielded much fruit. In the field of tax analysis, however, I do not feel that these methods have been very successfull. I suspect that conclusions such as "income taxes are better than outlay taxes assuming that the supply of labour is completely inelastic" or that "taxes on profits have no influence on the price level" do more harm than good if the writer has confined himself within the traditional demarcation lines even though the conclusions may be quite correct given the assumptions upon which the arguments are based.

Arguments and conclusions based upon too simple and abstract assumptions tend to be regarded as trivial and are ignored by non economists. If economists wish their work to have some influence on taxation policy and, in particular, if they wish to see decisions about taxation taken in a more rational manner (i.e. based upon more more complete knowledge of the effects of the various taxes) it is necessary to attempt — even in scientific work — the task of setting out in a more or less complete manner the effects of individual taxes and of possible changes in them.

BOOK REVIEW/CRITIQUE

The Budgetary Process in the United States. By Arthur Smithies. (New York: McGraw-Hill Book Company, Inc. 1955. 486 pp. $6.50).

The developing importance of federal expenditures in the United States and the problems relating to such expenditures led te Committee for Economic Development to sponsor a comprehensive study of the budgetary process in the United States. To conduct the study the Committee on Economic Development chose Professor Arthur Smithies, Chairman of the Department of Economics, Harvard University. Professor Smithies brought to his task not only his excellent academic training and experience, but practical and extensive contact with the budgetary process in the United States and abroad. To aid him in the important undertaking, Professor Smithies had the advice and counsel of an advisory group of the Research and Policy Committee of the Committee on Economic Development.

The first three parts of the book are devoted to the problem of budgetary formulation and execution as a whole. Part Four is an intensive analysis of the budget for national defense. Part Five treats specific non-defense budgets and Part Six is devoted to the impact of the budget on the national economy. An extremely important aspect of the entire study is Professor Smithies' treatment of the decision-making process as a part of the budgetary process.

The basic idea in this volume is the fairly clear separation of the problem of program analysis and determination from the problem of increasing the efficiency and economy with which governmental programs are executed. Professor Smithies supports fully the further refinement and development of program budgeting but also urges the improvement of methods for the evaluation of performance within the executive branch. On the Congressional side, the author recommends the development of procedures to prevent the Congress from engaging in unrelated expenditure decisions in its condideration of the proposed financial work plan of the executive.

The author assumes that the Federal budget will continue to be of vast scope and complexity and that it will continue to be dominated by a gigantic and necessary defense program. Within this framework the author discusses the adequacy of the budgetary process as it relates to the whole process of decision-making in government.

Professor Smithies recognizes himself as an economist and his treatment of the budgetary process is therefore essentially an econo-

mic treatment. He regards budgeting as involving "the allocation of scarce resources among almost insatiable and competing demands." (XV). He maintains that budgetary decisions result from choices among alternatives and his basic premise is "that government decision-making can be improved by the clear formulation of alternatives — regardless of the extent to which the final decisions are influenced by bargains between the President and the Congress, the influence of organized groups, or the pressure of local and regional interests." (XV). This approach is steadily gaining ground in the United States among political scientists as well as administrators and economists.

It is gratifying to find a treatise in the significant field of public budgeting approached from a broad, theoretical point of view. Certainly it is far different from the more mechanical and technical treatments which deal principally with administrative techniques and procedures. All in all, it is a brilliant contribution to budgetary theory and practice. This book will be regarded as the best available for many years to come.

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PROBLEMS CONCERNING INDIA'S SECOND FIVE YEAR PLAN

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1. After intensive preparatory work the Government of India have published a Draft Outline of the Second Five Year Plan.

This was accepted as the main goal for economic policy by India's largest political party, the Congress, at its 61st session at Shahidnagar on February 7—13, 1956. The main characteristics of the Plan may be said to be the following:

(a) A considerable acceleration of public expenditure for investment purposes is projected. Whereas under the First Five Year Plan Rs 23,6 mld [1]) were spent, it is planned to spend Rs 48 mld under the Second Plan [2]). (For the reader's convenience, it may be added that India's national income is of the order of magnitude of Rs 100 mld per annum or $ 21 mld).

(b) No definite proposals on the financing of this amount have been published. The increase in taxes, loans, foreign assistance and deficit financing, so far planned or forecast, do not cover the total amount of Rs 48 mld.

(c) More emphasis is being laid on industrial investment than in the First Plan: it is estimated that total investment by the private sector (for industrial and other purposes) will amount to Rs 23 mld in the five-year period under consideration (April 1, 1956—1961). Of the total (public and private) investment of Rs 61 mld it is assumed that some Rs 14 mld will be invested in manufacturing industries.

(d) The Congress accepted the "socialist patern of society" as a further goal of its policy. One of the specifications given was that a public sector of considerable size should be developed in manufacturing and that the rate of growth of this sector should surpass that of the private sector.

(e) Particular attention is given also to the problem of employment and the creation of 10 million more jobs is planned. This will require the development of small-scale industries alongside the creation of heavy industries.

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1) mld stands for milliard = 10^9 (American: billion; Indian: abja).

2) Of these, Rs 38 mld will be for investment.

2. It goes without saying that the tremendous enterprise of bringing about development in a country of 380 million people, living, at present, largely under primitive economic conditions, will meet with a host of problems. It is the purpose of this brief paper to discuss some of the main problems involved in order tot arouse interest in them and to stimulate thinking that may contribute to their solution. It is no exaggeration to say that the development of India is the most important economic task facing the peoples outside the communist area. In fact, the whole region of South Asia is in need of such development, but India is the largest national unit involved.

The basic problem at stake is the question of the cost of such development. What sacrifices have to be made in order to attain a certain increase in material well-being? The crucial point is to be found in what, in to-day's jargon, is called the *capital coefficient,* i.e. the quantity of capital needed for an increase of 1 unit in annual income (say Rs 1 mld). The numerical value of this coefficient is, of course, a matter of the greatest importance to the countries concerned.

Figures for the United States covering the period 1850—1950 show that its coefficient has been more or less constant and equal to about 3 or 3½. Scattered figures for other countries suggest that similar orders of magnitude exist for most of them, at least prior to World War II. To be sure, the formation of capital has not been the only factor at the basis of their development. Simultaneously with such capital formation, a series of other activities have taken place, such as improvements in organization, education and training and increases in knowledge. It is this bundle of activities which has been responsible for development and our figures on capital are indicative of only one, vital, factor out of this complex.

Recently it has been discovered that the development of a number of countries has been characterized bij lower, and even considerably lower, capital coefficients. This applies to both a group of underdeveloped countries in Asia and Latin America and to the communist countries. In India as well as in Latin America after 1945, a coefficient of about 1.5 has been observed and also the communist countries show considerably lower coefficients. If a coefficient of 1.5 instead of 3 could be assumed to prevail for the next five or ten years, this would mean that development would be "half as expensive" as in the case of the older development processes. This, of course, is of vital importance. For this reason, a closer analysis of the causes of this striking difference is very much in place. This analysis is now being undertaken in

several quarters and some provisional results are already available.

A low coefficient will be observed any time it has been possible to increase production with the aid of idle capital goods already in existence or by a more intensive use of such equipment. An example of the latter is production with three or four shifts instead of with one or two. It is well-known that working in shifts has been very frequently applied in the communist countries; it is also evident that it represents quite some sacrifice on the part of the part of the workers concerned. Nevertheless it may be the right thing to do.

In some cases it will be possible to increase production by improved methods only, not requiring any capital at all. An example frequently discussed in India is the gradual introduction of what is called "Japanese methods of agriculture". In a general way, it is conceivable to introduce capital-saving methods in more ways and one of them is to plan accurately in order to avoid idleness in certain forms of equipment. This may be another reason why in the communist countries the coefficient would have been lower. It is well-known that in a country like the United States there exists a considerable quantity of idle capacity and that, especially in the trade sectors, there is considerable luxury in equipment.

However, some of the differences may be due to calculating "errors". The rate of increase in national income may have been overestimated as a pure consequence of rapid development itself, which transfers certain groups of the population from rural areas to towns. In the latter they have a higher money income which does not necessarily correspond with an equally high real income. Another example of calculating "errors" may be caused by the tax structure of the country. In a country with relatively high "indirect" taxes on consumer goods — and this applies to the communist countries — there is another price ratio between investment goods and the average of all goods than in a country with relatively low indirect taxes. [3])

Another "error" of calculation appears if the industrial composition of two countries differs. It is quite conceivable, to quote one example, that as a consequence of a relatively high volume of building going on in the communist countries, the average capital coefficient is lower since the capital coefficient for building is lower than that for other activities. Such differences in composition, therefore, affect the comparability of different countries of the average capital coefficients.

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[3]) This remark was made to me by Mr. J. A. Links.

3. Another basic problem of development planning is the choice made as to *products* and *methods of production*. In an old-fashioned way, one may illustrate the first choice by asking whether agricultural or industrial products will be produced. A more essential question is whether products in which the country has a comparative advantage should be produced or not. To put the question this way seems to imply the answer. This, however, is not completely true, because much depends on (i) the way in which the advantage is calculated and (ii) the assumptions made as to future development. If the advantage in producing certain goods is calculated for peace-time conditions, it may be that some war-time difficulties are disregarded; if it is calculated for boom periods, certain difficulties of depression years may have been neglected. There may be reason to do so since the future may, in both respects, be brighter than the past. For the cyclical aspect this seems to be reasonable enough to assume; is it also for the war aspect?

The assumptions about the future have to be those of further development, and this implies that internal markets will develop for quite a few products of industrial character, even if such markets are not yet in existence.

Finally, it is not generally known that India already has a comparative advantage in producing fabrics and steel. All these considerations lead to the choice of an important industrial output for India.

This does not necessarily imply a choice of the technology by which such products should be produced, nor of the technology to be used in many of the development projects themselves. On this point, a highly interesting discussion is going on. Perhaps the best illustration of the difficulty with which the country's economists are confronted is the situation in the cotton textile industry. The choice essentially is one between more capital-intensive or more labour-intensive methods of production. At the wage rates and the interest rates now prevailing in the market, the more capital-intensive process as applied in mills is more remunerative. Investment in such processes will mean, however, that employment can be given only to a part of the population, since the savings available are not sufficient to supply every potential worker with so much equipment. This is why the planners have now proposed to stop development in textile mills and to promote, along Gandhian lines, household industry. At present, an excise tax is being levied on the factory textiles, and a subsidy is being paid to the products of household industries. Even then it is not possible to maintain hand-spinning; but weaving in small-scale enterprises may remain

possible if some improvements and some degree of mechanization are introduced.

What about this policy? While trying to appraise it one should not forget about the primary problem of the underdeveloped countries: the supply of capital is too small to employ the population. This implies, as long as it lasts, that everything should be done to use as little capital per man as is reasonably possible. Such capital-saving is even more necessary if, for autonomous reasons, considerable capital is needed in certain activities where there is no choice, as may be the case in steel-making. In textiles, where there seems to be a possibility for labour-intensive processes, these should be encouraged and the capital-intensive processes discouraged — unless there is another way out (cf. section 6). There seems to be one circumstance on which a stronger defence than has so far been presented of the policy followed may be built: i.e. that market prices for capital and labour do not reflect the "true" values of these factors to the country. Capital probably is being made available too cheaply to some compartments of the market and labour is made available at higher prices than its intrinsic value. This introduces a bias towards too capital-intensive processes, which in theory could be counteracted by an excise tax on the use of capital and a subsidy on the employment of labour. The excise tax should be equal to the difference between the true value of capital and the interest rates charged; and the subsidy should be equal to the difference between the market wage rates and the true value of labour. It will be difficult to estimate the order of magnitude of these differences and, provisionally, only rough guesses can be made. But it may be maintained that the present excise tax on mill products and the subsidy to hand-loom products are an attempt at restoring equilibrium.

4. A third fundamental problem facing India is the one of *training and education*. As we already observed, development has been the product of a bundle of activities, consisting of investment not only in real capital but also in skills of all types. With an ambitious program of industrialization, this is even more pressing and it becomes a point of direct concern for the government since a large part of this industrialization is supposed to be in the public sector. The need for managers, for people knowing how to organize and for technicians at the medium level is enormous. The process of producing such people is a difficult one, which can by no means be solved by only increasing the number of students at the universities. At all levels, and probably even more at the practical levels, an intensification is needed. Both the government and private business seem to be aware of these needs, and many steps are

being taken. One of the difficulties evidently lies in the fact that such practical abilities as those required for organization and management have to be acquired by experience and, in most other countries, are the outcome of a process which takes generations. Are there short-cuts to such a process? The best one seems to be obtainable by an intimate contact, inside business enterprises, between good managers and young promising people. This may either be obtained in the country itself or in foreign countries. The time seems to have come for a more systematic consideration of what can be organized in this field.

5. We already stated that Congress as well as the government have chosen a "*socialist pattern of society*". Some problems involve the issue of which characteristics of socialism are the most urgent ones to be introduced into a country like India. On the one hand, there is the emphasis on a rapid growth of the public sector: one may wonder whether this will appeal very much to non-political citizens. On the other hand, another aspect of socialism may be of more immediate significance to those suffering most from the present low level of living. It is this aspect which has been introduced into European countries during the last half century, and it may be briefly described by such words as social insurance, social assistance and employment policy. The measures covered by these words are meant to give some immediate support to those hit by accidents, illness, unemployment, and other evils. Usually, therefore, this means help to those even worse off than the average healthy worker or peasant. Along these lines much remains to be done in India, as is almost self-evident for a country with a low level of living. Social insurance only exists for some public sectors; unemployment does do not generally exist; and other forms of social assistance are rudimentary. Employment policy already has been discussed. In the opinion of the author some more emphasis might be given to this whole group of problems. This is not by itself a simple affair; even a modest beginning would involve considerable cost. Because of this financial aspect, there is a direct link with the problem of increasing the proceeds of taxation generally. A choice might be made between the two systems of finance in existence in Europe: the continental and the British system. On the continent the larger part of contributions is raised by levies on the enterprises, proportional to the number of workers, and, hence, takes the form of "indirect taxes" on the use of labour. The British system is to finance the larger part from the general budget and, by so doing, one may avoid taxing the employment of labour. For a country with a structural uneployment problem, the latter system seems to be preferable.

6. No proposals have yet been made, as already pointed out, concerning the financing of the Second Five Year Plan. The summary table presented in the Draft Outline shows the following figures (in mlds of Rs):

1. Surplus from current revenus . .	8	
(a) at existing rates of taxation .		3.5
(b) additional taxation		4.5
2. Borrowings from the public . .	12	
(a) market loans		7
(b) small savings		5
3. Other budgetary sources . . .	4	
(a) Railway contribution to the development programme . .		1.5
(b) Provident Fund and other deposit heads		2.5
4. External assistance	8	
5. Deficit financing	12	
6. Uncovered gap	4	
	48	

Some of the most important questions arising with regard to this table may be briefly indicated:

First, it may be asked whether an improvement in the organization of tax collection may not add to the goverment's means. There is a widespread feeling that some tightening of the net is possible. This is a problem common to all countries, but is usually to a higher degree applicable to under-developed countries and to countries only recently freed from foreign rule.

Second, the question of savings is connected with the well-known habit of hoarding or buying of jewels rather than investing in active capital. There recently has been increased interest in government loans, but it is difficult to say whether this phenomenon will be lasting. Savings campaigns are among the instruments in the minds of the administration. The introduction of social insurance might help to direct the minds of the people in this respect.

Third, deficit financing should (and the authors of the Second Five Year Plan are quite conscious of this problem) be conducted in a very careful way. In principle, the following amounts are available: (i) the increase in monetary circulation corresponding to the increase in national income during the period of the Five Year Plan; (ii) the increase in monetary circulation caused by the extension of the monetary sphere of the economy — i.e. the contraction

of the barter sphere —. Part of these amounts will, however, be created anyhow by private banks and the question remains as to what influence the government is willing and able to exert on private money creation. With total monetary circulation at about Rs 20 milliards at present and a 25 % increase in national income, (i) would amount to only Rs 5 milliard. One may question whether or not the estimate of Rs 12 mld for deficit financing is too optimistic. With the cautious monetary tradition in India, one might expect this source of finance to be less important than the provisional estimates indicate.

There remains the item of "external finance". Clearly, it is the responsibility of the international community which is expressed by this item. It is the author's opinion that this responsibility will have to be developed and that it will be in the interest of the world at large if a more substantial participation in Indian development is envisaged by countries in better economic circumstances. This is not the place to discuss this vital problem in all its aspects; but no discussion of the Second Five Year Plan would be complete if this side of its financing were not emphasized.

PROBLEMES RELATIFS AU DEUXIEME PLAN QUINQUENNAL DE L'INDE

par le Professeur J. TINBERGEN

RÉSUMÉ

Le project de Deuxième Plan Quinquennal de l'Inde, adopté par le Congress en février 1956 est caractérisé par les traits suivants: (a) une accélération de l'industrialisation, (b) un développement plus rapide du secteur public que du secteur privé (c) une politique socialiste et (d) la création d'emploi supplémentaire pour 10 millions de personnes, surtout dans la petite industrie. L'auteur discute l'influence du dit „coefficient de capitalisation" (capital coefficient) pour le rythme du développement. Tandis que des chiffres de 3 environ étaient trouvés pour les pays développés, les récentes expériences de l'Inde et d'autres pays (y compris des pays communistes) sont beaucoup moins élevés. On discute les facteurs qui peuvent expliquer cette divergence.

En deuxième lieu on discute le choix des méthodes de production; des processus utilisant relativement beaucoup de travail sont préférables. En ce qui concerne le politique socialiste, l'auteur exprime sa préférence pour l'expansion des assurances sociales, plutôt que du secteur public de la production.

Finalement quelques remarques sont faites sur le problème du financement du Deuxième Plan; il faut que des capitaux étrangers considérables soient mis à la disposition de l'Inde.

THE TAX SYSTEM OF URUGUAY

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I

The Legislative Power, volitive organ in Public Finance, by constitutional provision "determines the contribution necessary to cover the budgets, the distribution and the order of collection, and can cancel, modify or increase existing taxes". Taxes require the approval of an absolute majority of all the members of each house.

Taxes and other revenue created by Parliament are not annual, but permanent. Therefore their inclusion in the Budget is only for statistical and accounting purposes. The authorization to collect is not based on the Budget Law, but on the special law that created the tax.

As regards the directive or executive organ — the Executive Power — the Ministry of Finance is the basic collector of income; it acts through various collecting offices, whose authority and organization are established by special laws.

The principal offices of this type are:

a) *General Directorate of Customs,* which collects the general and special taxes on imports and exports.
b) *General Directorate of Direct Taxes,* which collects real property taxes; business licences, death duties, stamp duties, etc.
c) *General Directorate of Internal Taxes,* whose field includes the collection of the greater part of the taxes on manufactures and consumption.
d) *Office for the collection of Excess Profits Tax,* created initially as the collecting office of the said tax, extended its authority to taxes on sales, eventual profits, royalties, luxury articles, banks, etc.; although its name is "Office of collection" its function is that of control. The Bank of the Republic is in charge of the tax collection.

In addition, the *General Directorate of the Postal Service* collects the income from postage; from the *Service of Communications,* the taxes and fees for telegrams and radiograms; from the *Administration of Lotteries,* the income from the lottery monopoly; the *National Administration of Ports* the dock dues. The agencies of Social Security such as *Retirement Fund, Compensation Fund* and *Family*

Pension Fund, collect the taxes and contributions from those subject to the retirement compensation and pension services.

The *Bank of the Republic,* in addition to collecting directly the exchanges tax and other taxes, acts as the Treasury of the State, centralizing all the collection of the various offices, which are allowed only 24 hours to send in the funds collected.

II

Characteristics of the tax liability.

2. The tax liability which originates, according to the constitution, in the law, once the "fait generateur de l'impôt" (consumption, sale, importation, production) has been determined, is laid down by the assessment (accertamento). The assessment is made direct by the administration (real property taxes) or by indications (businesslicences). The assessment may also be based on returns from the taxpayer, which can be simple or complex (excess profits taxes, sales, inheritances, importation) or by returns of third parties (retirement contributions). The tax debt is extinguished in Uruguay in the normal manner, that is to say by the *direct payment* by the taxpayer, which is effected, except in the case of certain taxes, in the seat of the creditor (collecting offices) and within the time fixed by the administration. But it is always the State which collects the taxes not recognizing the historical system of collections and rentals (appalto).

Except for social security contributions no taxes are paid indirectly by third parties or by retention.

In addition to the direct payment, payment may be made by a fixing *stamps,* which applies to several commercial transactions, and also by means of registration (sales, embargoes, legal powers, etc.) that collect taxes.

The *fiscal monopoly,* which includes different types, is also a form of tax payment. Gambling is widely monopolized by the State (casinos and lotteries) and it provides an important revenue. In addition, various State-owned enterprises (Government Independent agencies) include taxes in their prices, (fuel, alcohol, insurance, electric power, telephones, etc.).

The classical fiscal monopolies usual in Europe, of tobacco, matches, beer, sugar, salt, etc., do not exist, although these products are subject to taxes.

Novation, remission and compensation do not operate in taxation; however, by way of exception, the payment of certain unpaid taxes (real property taxes) in public bonds is permitted. The tax liability becomes statue-barred in different periods of time, according to the kind of tax involved; in some cases the law lays down special

periods, in general four years, in others the general principles of civil law are followed (20 years). Restitution of overpaid taxes becomes statue-barred in four years.

Concerning financial penalties, failure to pay, which is not considered as a criminal offence leads to the application of *fines*. The other aspect of the fiscal law are the penalties applied to delayed payments ("recargo"). With certain taxes, *interest* is exacted when the Administration allows delay for a certain period of time. All these penalties are normally imposed by the collecting offices, but they must be authorized by law.

Appeals can be made before the Executive Power. For the most important taxes, it is possible to appeal before a jury or special commission composed of representatives of the taxpayers (real property, business licences, sales, excess profits, customs, etc.)

The decisions of these juries, which have the character of arbitrators, can be appealed against, and the decisions of the Executive Power can also be appealed against before a special jury, tax courts, a second appeal being possible, this time before the Court of Appeal and a third and last time before the Supreme Court.

III

Fiscal structure.

3. The evolution of the tax system in Uruguay shows characteristics similar to many Latin-American countries, although the absence of a system based on income tax gives a significant role to the indirect taxation (actions and consumption).

Since the beginning of its free institutional life (1825) the customs duties have been predominant in the national income picture, but this predominance began to recede in the second decade of this century and especially during the forties. Together with the taxes on importation, in the same period many taxes on consumption, industrial and commercial activity and real property appeared and rapidly increased.

Following the progressive evolution of the country, the taxes reach up to the different types of income and various aspects of private economic activity. And its growth is unceasing and also progressive, as a consequence of the increaring needs of an developing state, which has only little over a century of independent life.

It is easy to understand how the fiscal situation has become, for by implementations and additions rather than coordinated action the lack of systematization created a complicated tax regime, which has been growing intensely in the last ten years.

The creation of new taxes, the increase of rates, the creation of additional taxes, the reduction of taxable minima, the enlargement

of certain fiscal areas, the postponement of temporary taxes, the actualization of appraisement, the adjustment of administrative processes impede, naturally, the strict accomplishment of the financial rules of tax justice. However, discrimination, stimulants, progressivity, minimum exemptions and even a certain semipersonality can be noticed in some types of taxes.

In general, it may be stated that two fundamental elements have become most important in recent years as a consequence of the recent fiscal changes; the complex problems confronting the taxpayers involved (chiefly commerce and industry) and the great possibilities of shifting the taxes which are levied increasingly upon consumption.

IV

Analysis of the Budget Receipts

4. On the basis of the accounts surrended for the fiscal year 1953 by the Executive Branch of the Government to the Legislative one, and classifying the amounts according to the classification established by the Ministry of Finance in 1950, we can prepare the following table (amounts in thousands of pesos):

1)	*Taxes*			
	Taxes on imports		$ 59.776	22 %
	Excise taxes		$ 62.491	23 %
	Taxes on industrial, commercial and professional activities		$ 73.434	26 %
	Taxes on real property		$ 8.171	3 %
	Taxes on transfer of real property		$ 26.064	9 %
	Taxes on transactions and business		$ 30.700	11 %
	Taxes on expenditures		$ 342	—
	Taxes on gambling		$ 12.256	4 %
	Taxes on salaries		$ 156	—
	Miscellaneous taxes		$ 5.828	2 %
			$ 279.218	78 %
2)	*Fees*		$ 10.618	3 %
3)	*Betterment taxes*		$ 513	—
4)	*Income from industrial and commercial activities of the Government*		$ 23.823	7 %
5)	*Extraordinary receipts*			
	Gold coins	$ 12.000		
	Miscellaneous	$ 2.989	$ 14.989	4 %
6)	*Miscellaneous receipts*		$ 7.109	2 %
7)	*Reimbursements*			
	Public Debt	$ 21.010		
	Miscellaneous	$ 2.496	$ 23.506	6 %
			$ 359.776	100 %

Of the total of the budgetary receipts, taxes represent 78 %, that is four fifths of the total. This relation has been the same during the last years with small variations.

5. According to this, the budgetary receipts deserve a special analysis owing to their great importance in relation to the total of the receipts. Following the classification mentioned above, which groups the taxes according to their impact, and not considering the effects of shifting, it can be observed that indirect taxation largely dominates the fiscal structure.

The two first groups of taxes bring in 45 % of the total receipts, a percentage that is really important if it is considered that these taxes, because of their special nature charge mainly, and quickly, the consumer, who finally becomes the real taxpayer.

Customs taxes, consist chiefly of the "general duties on imports" and besides of several additional duties and special taxes on sugar, rice, etc. The liquidation of these customs taxes follows the general rules on this subject, that is, several "ad valorem" and specific duties exist side by side; the régime of appraisements predominates, amounts being very low in relation to the real price of the goods.

Custom duties have a real protectionist function, owing to the fact that they are graduated according to the needs of the industrial development, without neglecting, logically, the internal needs for consumption. In this way there can be observed several exonerations or lower duties for the importation of seeds, raw materials, machinery, spare parts, etc., all of them necessary for the national industry, as well as for articles considered essential for internal consumption, but these reductions or exonerations will have an end when the national production can achieve a normal supply for the country. At the same time there are highly protective duties, whose real influence is decreased because they are applied to appraisements that do not represent the real value of the goods.

Excise taxes represent 23 % of the total of the taxes; the most important are those applied to alcoholic beverages, tobacco and fuels (75 % of the group).

The most important taxes are those on spirits, totalling $ 20:508.000 (33 % of the group). This amount includes different taxes on the same item, and their proportion is related to the degree of alcohol and the selling price of various drinks, existing special taxes being repulated according to the amount of litres, extract content, etc.

The tax on tobacco, cigars and cigarettes, totalling $ 12:101.000 (19 % of the group) uses a different scale for each of the items mentioned; the scales are applied according to selling price and weight.

The taxes on fuel, representing 22 % of the group, and totalling $ 13:738.000 are composed of various taxes charged mainly on liquid fuels used by private vehicles and having lower rates on fuels used by industry, agriculture, trucks, and buses.

Besides these principal types, there are taxes on wine, fermented drinks and non-alcoholic drinks that amount to 9 % of the group.

Finally, mention must be made of the tax on luxury articles (6 % of the group) created in 1945 with a basic rate of 5 % and a special one of 10 % for jewels and furs; both rates were combined in 1950 into one of 10 % which will be divided into three: 10 %, 15 % and 20 % in 1953, to be applied to the selling price to the public or to an equivalent appraised value and to be paid during the first stage of commercialization (importers or manufacturers).

The other consumption taxes are imposed on lubricants, perfumes, cosmetic, toilet articles, patent medicines, matches, playing cards, vinegar, etc.

The taxes on industrial, commercial and professional activities, comprise 26 % of the total, the most important being sales and transactions taxes, shop licences, excess-profit taxes [1]) and the Corporation Tax.

The tax on sales and transactions created in 1941 is applied to the sales and services performed by industrial and import firms. The rate is proportional: 5 %, at present, with scales lower than 3 % for certain specified articles whose consumption is considered necessary, and with total exemption for primary necessities, also specified.

This tax does not have the characteristics of the Italian or French taxes on the "chiffre d'affaires", but is rather similar to the Greek one.

The tax on sales and transactions is applied at only one stage, therefore, they don't cause the "snowball" effects resulting from the general taxes on all industrial and commercial activities.

The yield of this tax amounted, in 1953, to $ 27:873.000, representing 38 % of the group.

The business licences and additional taxes totalling $ 15:431.000, represent 21 % of this group, this type of tax is one of the oldest in the tax system of the country. The law provides that any person or corporate body performing within the territory of the Republic any industrial, commercial or professional activities, is subject to taxation, with legal provisions conerning a number of exceptions and privileges based on social, economical and cultural characteristics, etc.

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[1]) This tax substitutes the inheritance tax when a Company is formed by shares.

The law distinguishes several categories indicating the rates of tax and they comprise the various activities taxed. The licenses may be fixed or variable; in this latter case, the law determines the maximum and minimum between which the administration must fix the tax, according to the indications given in the respective legislation.

In this sense, the principal indication is the stock capital, to which a basic rate of 1 % is applied, increasing to 1½ % for capital over $ 100.000, for retail shops, and $ 150.000 in the case of wholesale business. Although the law provides that the tax must be reasonably proportioned to the probable profits, the use of the stock capital as a basic indication means, in a way, to ignore the principles of the law. In recent years, the system of assessment has been subject to fundamental changes, such as the requirement of a return from the taxpayer previous to the assessment by the administration.

Here must be mentioned the existence of special licences that don't follow the general system, by adopting indications adequate to each case which in some activities, is paid directly by the taxpayer by means of stamps, as happens in most University graduates.

The excess profits tax concerns the yearly profits of Uruguayan origin made on all commercial or industrial activities performed in the form of enterprise, and whenever the profits exceed 12 % of the capital that produced them, with the exception of the agricultural and cattle raising activities.

The law excepts enterprises whose capital does not exceed $ 100.000 provided they are not organized as corporations.

The rates are progressive and vary according to the relationship between profits and capitals, covering from 15 % as a minimum to 50 % as a maximum for enterprises having a capital inferior to $ 500.000; when that sum is exceeded the rate can reach 80 % of the profits.

It must be pointed out that the determination of the capital and the profits must be done by the taxpayer through returns of a complex type, according to the respective legal and administrative provisions.

This tax was created in 1944, and was given an emergency and temporary character in order to absorb the excess profits of the enterprises due to the favorable world war conditions, and after subsequent periods of prolongation, was established permanently in 1953. This tax yielded $ 11.138.000 in 1953, that is 15 % of the group. Finally, mention can be made of the Company Tax that is applied to the converted capital and reserve funds of the Corporation, joint-stock companies (proportionally).

This tax is paid through a return by which the capital, fiscally

adjusted, is determined. The rate of this tax has been increased successively; in 1953, 6.75 % of the capital was determined by law. It yields $ 7.532.000 which represents 10 % of the group under analysis. Besides these four main taxes, those levied directly upon the minor commercial and industrial activities are the taxes on bank collocations, transfer of enterprises, eventual benefits, holdings, customs duties, on exportations, etc.

The taxes on real property have an unimportant place in the General Budget. In 1953 they amounted to $ 8.171.000 and that represents only 3 % of the total collection. This is due to the fact that the main tax on real property, with basic rates of 8 % of the appraised value has been placed under the jurisdiction of the 19 local governments, after a progressive evolution in that aspect.

The biggest part of *the taxes on transfer of property* is constituted by the one on inheritance, legacies, and endowments, with a yield of $ 14.915.000 representing 57 % of the group.

The tax is not like its French counterpart, because it is not applied to the total sum transferred, but on each of the capital parts acquired by the heirs. The rates are progressional up to $ 10.000 and progressive from that sum on; the tax being rated according to the amount of capital acquired and the degree of relationship between 2 % and 61.2 %. Minima free of taxes are $ 1.000 and $ 500.—, for the total amount and for each capital part acquired respectively.

The heirs that do not live in the country are subject to pay double scale rates, but the tax cannot exceed 80 % of the share. The assessment of the tax is effected in the legal document pertinent to the will approved by the court.

This tax is applied not only to the acquisitions resulting from death, but also to transactions between living persons qualified to inherit from one another and in case of donations.

It must be added that there is a maximum to the total sum transferred, although it is of little significance. Besides, this groups contains the tax on transfer of real property amounting to $ 9.763.000 and representing 37 % of the group.

This tax applies to the transfers of real property by way of sale or donation at the rate of 5 % of the sale price, provided this latter is not lower than the appraised value plus 50 %; in that case the tax is applied to the latter sum. The acquirer must pay 3 % and the seller or donor, the other 2 %.

The most important part of the *taxes on business and transactions* is the one on "stamped paper", amounting to $ 18.641.000 and representing 61 % of the group.

The law taxes commercial acts performed by private individuals

or commercial enterprises, such as contracts, payments of debts, cheques, promissory notes, bills of exchange, etc.

The various acts are taxed at special rates, according to amounts and periods of time (contracts), according to value (Payments of debts) or to fixed amounts (cheques). This tax is the only one existing, and is paid in some cases through governmental stamps or by writing the documents on stamped paper. In this group are included other taxes with the same effect, and among them the taxes on bank transfers, drafts, commissions, exchanges licences, cables, etc.

The *taxes on gambling* are principally composed by lottery and "mimbers" taxes with 91 % of the total. It must be pointed out that the income arising from the exploitation of lotteries totalling $ 10.912.000 is included in an other chapter and supplement the contribution of this betting to the General Budget.

Lottery taxes apply to the bets and the winnings in the first case 5 % of the ticket value and in the second case, by a progressive rate of 5 % to 10 % for prizes lower or higher than $ 10.000; the prizes under $ 500.— are free of taxes. Concerning the taxes on "mimbers" the law of 1953 modified the actual system, assigning to the Government the effective exploitation of the game with 65 % of the net revenue and 12 % of the total betting. Before this law was enacted, there were taxes on both bets and winnings and the Government took 25 % of the net revenue.

6. Besides a total of $ 279.218.000, which covers 78 % of the incomes, the rest is represented mainly by *Dominion Revenue, Fees and Extraordinary Incomes.*

Of the *Dominion Revenue* ($ 23:823.000) approximately one half consists of revenue from exploitation of lotteries and "mimbers" mentioned before, and the other half comes from the commercial and industriail activities of the Government, chiefly the Bank of the Republic (80 % of its net gains) with $ 7.026.000 in a total of $ 11.189.000.

The Fees ($ 10.618.000) are integrated, one half by the ones on mail, telegraph and radio communication, the remaining 50 % is covered principally by registration, customs and dock dues.

The *Extraordinary Incomes* ($ 14:989.000) consist 80 % of those resulting from the conversion of the coined gold possessed by the Bank of the Republic (Issue Department) into ingots.

Special mention must be made of the "reintegrations" ($ 23.506.000) composed mainly of the "reintegrations" of the debt services (about 90 %). They are not really revenue; they include the money involved in the debt services of the commercial and industrial governmental agencies, transactions guaranteed by the Government: for accounting purposes, the Government considers as

liabilities all the debt services, but it gets back all the money involved in the debt services, for which the independent agencies are responsible.

V

"Out-of-budget" Revenue for Social Security

7. Social security is not organized within the General Budget provisions, and a great diversity of taxes are levied to provide the necessary funds [2]).

The financial system of the Institutions in charge of Social Security (Retirement, Agencies Council of Family Pensions, Unemployment Compensation, Agencies, etc.) is based on the creation of independent funds, generally through contribution from employers, employees and from the community.

The employer's contribution is calculated according to the total sum involved in salaries paid to employees and workers. The employees' contribution is in accordance with their salaries. The community's contribution is obtained through taxes, generally indirect, levied on industrial or commercial activities or on the consumption.

8. *Employer's Contribution.* They are used to finance retirement and pensions, family pensions and unemployment compensation. As there are independent funds for each aspect of the social security and even for different activities belonging to the same social security branch, (they were created by different laws and on different dates) the employer's contributions are not uniform in all the activities.

In the cases of retirement and pension, there prevails a rate proportional to the total amount of salaries paid, although there are also progressive rates scaled according to individual salaries; they vary between 10 % and 17 %, depending on the type of activities. Concerning the Family pensions, the rate is proportional and uniform in all cases, 4 % of the total of salaries paid, except rural activities which do not enjoy this benefit, although a bill that will include them is under consideration in Parliament.

As regards the unemployment compensation, it covers only the workers of the industries having seasonal occupation, that is, forced temporary unemployment, the rate is porportional, but not uniform, and varies between 4½ % and 7½ % according to the type of activity.

The financial nature of these contributions has been questioned, chiefly the one concerning the financing of the fund for family

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2) "Parafiscalidad social y profesional en la República Oriental del Uruguay", Cuaderno No. 4.

pensions. The Institute of Finance has always considered them as taxes [3]). It must be made clear that even those who deny that these contributions have the financial quality of a tax, admit that they possess all the characteristics of a tax, but emphasize the fact that the Institutions that collect hem (defined by law as Guild Institutes with Public Purposes) in order to deny quality of tax to these contributions. They have been created by law, are of a compulsory type, their source is the enterprise income, their basis the salary paid.

Finally, it must be kept in mind that the Retirement for Civil Servants Agency also receives employers' contributions, but concerning the Central Administration (the industrial and commercial agencies are quite different) that employers' contributions are really the community's contribution, because it is an expenditure included in the General Budget which provides for its financing. Because of this, we will not include those provisions in this chapter; the revenue that finances them is a part of the General Budget; otherwise there would be a duplication of income.

9. *Worker's contribution.* This contribution finances the same types of insurance as financed by the employer's contribution, except "Family Pensions" and it shows the same lack of uniformity as the latter.

The contribution of the workers to the Retirement Funds has increased in recent years; until a short time ago, the general rule was the application of proportional rates; at present the progressive rate is widely used, scaled according to the workers salaries. These rates vary according to the type of activities, likewise in the cases the different scales of salaries, between 8 and 12½ %.

The worker's contribution to the Unemployment Funds is uniform for all the activities comprised, the rate is proportional: 2 % of the salary.

There is another type of worker's contribution, generally applied in respect of the Retirement Funds; they are the initial salary and the increases of salary. Both are extra-ordinary contributions. The first occurs only when the worker starts working; he must contribute his first monthly salary in several instalments. The second consists of the payment, in a lump sum or in instalments of every salary increase every time the worker obtains it. Fines imposed on government employees are another source of income. The financial nature of this contribution has been questioned, too. The latest modifications made in the national legislation place this contribution nearer to a tax, because of the following reasons:

[3]) "Naturaleza financiera del aporte patronal para Asignaciones Familiares", Cuaderno No. 1.

1) The pension is not proportional to the contributions made, but to the salary drawn by the worker during his last year of activity.
2) They have been increased in general to adapt them to the increases in the cost of living, and in many cases, the pension became higher than the salary obtained by the retired when he was in activity.
3) The financial system of the organizations for social security is not based on individual capitalization, not even on collective capitalization; it can be maintained, nowadays, that almost of them have reserves, but not actuarial reserves, but rather financial reserves. This has become even more noticeable after the recent Acts providing general rises for retrirement, financed by the reserves possessed by those organizations.
4) At present, progressive rates are generally used, and that implies adaptation of the contribution to the capacity of the workers.
5) On the other hand, all the characteristics of a tax are present.

10. *Contribution from the community.* They cover the whole range of taxes. In general, each of the various funds is supported by taxes that charge more or less directly the activities concerned with the fund. Thus, the Military Fund collects money from stamps that must be used when doing business with the Ministry of National Defence (War Department); the Notary Public Fund gets its income from stamps used when employing a Notary Public's services; The Bank Fund received, originally, the yield of a tax on bank investments; the rural workers retirement is financed by taxes on rural transactions and rural property. The same principle was followed in the case of the Industry and Commerce Retirement Fund. Thus, for industry and commerce in general, the tax on "chiffre d'affaires" was created, the same in the case of Public Services; the newspaper enterprises, have to pay taxes on their income from advertising, there are taxes on imported barbershop articles to finance the barbers' retirement, taxes on fuels for the transport workers' retirement, etc.

It must be made clear which retirement funds not based on present or former activity are financed by taxes principally on gambling, public entertainment, noxious consumption, indications of riches, etc. These are old age pensions, given to all aged people in want, and the payments made by the Honorary Commission to Combat Tuberculosis, meant to compensate the lack of income in the family when the consumptive member quits working in order to get cured.

11. *Analysis of these taxes.*

I) *Importation Taxes.* The legislation created taxes additional to import duties in order to finance social security. The most important according to its volume is the one called Additional Licence: 7 % applied to all imported articles. Besides, there are special additional taxes on certain articles, as in the case of barbershop articles like razors, nail clippers, tweezers, razor strop, safety razors, hair clippers, etc., additional taxes exist also on automobiles, guns, perfumes, newsprint, etc.

The Industry and Commerce Retirement Agency is the one that gets the biggest share of the revenue produced by these taxes.

II) *Internal Consumption Taxes.* They are imposed mainly on consumption goods considered as luxuries or pernicious to health. The Industry and Commerce Retirement Agency receives revenue from cosmetics and gasoline.

The Rural Workers Household Service Retirement and old Age Pension Agency is concerned with taxes on spirits, alcohol, liqueurs, playing cards, tyres, pneumatics, and "tyre reconstructing" material.

III) *Taxes on Industrial, Commercial and Professional Activity.* This group of taxes represents the greatest part of the total system and constitutes the most important source of tax for the financing of most social security services.

The only tax related to the Bank Retirement Agency was a tax on bank inversions and it was substituted by a tax on the Salary Budget of the bank companies which is actually in force.

The taxes for Unemployment Compensation Agencies all belong to this chapter, and the so do the tax on the meat packing industry, those on meat exportation, and those on transaction on livestock for the yards; wool and hides storehouses are taxed with taxes on wool exportation and on wool sold to local industries.

The main resources of the Industry and Commerce Retirement Fund also belong to this chapter such as the tax on "chiffre d'affaires". It must be made clear that: firstly, the sales tax related to industry and commerce was of a general character, concerning enterprises and income: later a sales tax for General Revenue was created, which caused the limitation of this tax in order to avoid a duplication of taxes on the same taxable matter. At present, the tax assigned to the Fund mentioned is applied only to sales exempt from the General Revenue Tax, and the Fund gets a share of the yield of this latter. The public services are taxed by a tax on their income. The barber shops pay a fixed tax for each armchair. The newspaper concerns have to pay a tax on the price of their advertising.

The Rural Workers Household Service and Old Age Pension Agency has important taxes of this chapter assigned to it, such as

the taxes on agricultural transactions, the buyer and the seller being responsible each to the same extent; the tax on rent of real property, paid by the landlord; and stamps for old age pension that tax monthly to all business and industry according to the number of people employed.

The fund to combat Tuberculosis also belongs to this kind of taxes. There are general and special additional taxes on business licences, likewise taxes on incomes of houses of amusement such as cabarets, dancings, etc.

IV) *Tax on real property.*

The taxes in this chapter are most important for the Rural Workers, Household Service and Old Age Pension Agency. The main tax is the one called "overcharge on real property" levied on the total value of the real property owned by only one person, provided they are higher than $ 50.000 and is subject to progressive rates: this tax is also paid by mortgage creditors on the total of their loans, although the rates are different in their case. To this fund is assigned also a general tax on rural real property, and a tax on land applied to real property exceeding a certain area.

V) *Taxes on transfer of property.*

The Rural Workers Fund obtains the produce of a tax applied to transactions on rural real property.

A Tax additional to the inheritance tax, and regulated by this latter is assigned to the Civil Service Retirement Agency.

The tax on "property acquired during marriage" and that belong to both husband and wife fifty per cent to each of them. The mentioned tax is applied to that property at the moment of separation, at a rate equal to the one paid by the direc heirs for the share that they acquire.

VI) *Taxes on acts and business.*

In this chapter are included the only contributions from the community that finance the Notary Public Retirement Agency and the Military Pension Agency. The first gets the yield of a stamp that has to be bought by all persons using notary public services, and the second, the stamps that must accompany all documents employed by persons in doing business with the Ministry of National Defence (War Department).

The Civil Service Retirement Agency also gets the yield of taxes on (acts and business concerning) police- and judicial activities.

VII) *Taxes on expenditures.*

The Honorary Commission to Combat Tuberculosis derives, an important part of its funds from this group. It obtains income from taxes on movie shows, sports shows, dancing houses, etc. It also

receives a tax on telephones. A tax on rent, paid by the tenant, is assigned to the Old Age Pension Fund.

Public dancing pay a tax to the Civil Service Retirement Fund, related to police activities.

VIII) *Taxes on gambling.*

Race course tickets are subject to a tax of 50 % of the price, the yield of which is assigned to the Rural Workers Retirement Fund.

The Honorary Commission to Combat Tuberculosis receives the yield of several taxes on gambling, such as, taxes on winning bets on horses, applied to winnings higher than a certain figure, participation in the income of the casinos and gambling houses; tax on race course tickets.

VI

Other "out-of-budget" revenue

12. Before the latest Budget law was passed by Parliament, a great diversity of taxes were applied to out-of-budget funds. Many of them, together with the services provided now integrate the Several budget due to provision of the law mentioned.

However, the most important of those funds have been kept out of this budget.

The main funds and their sources of income are the following.

1) *Exchange benefit Fund.*

This is the most important and is composed of the difference between buying and selling prices in the controlled market. There are two exchange markets, clearly distinct: the financial and the business or commercial market; the first is totally free and of little importance; all the financial transactions are made through it, the second is the result of international trade and is controlled by the Government, the Bank of the Republic acquires all the foreign currency received through export and sells it to local importers. The latter comprises the controlled and the free commercial markets. The Controlled market rate of exchange (to buy) is O/U $ 1.519 per US $ 1.00 (one dollar) legal rate, and the selling rate is O/U $ 1.90 per dollar; the exchange rates of other currencies are determined according to the dollar value.

It is being questioned whether this tax applies to the importer (consumption) or to the exporter, (commercial and industrial activities). This question arises from the lack of proportion between the value of the dollar in the free market and the value assigned to it in the controlled market; the exchange tax will weigh on the importer or the exporter according to the conception one may have concerning the real value of currency. Considering the gold content

of both currencies, the legal rate, that is O/U $ 1.519 a dollar, the tax applies on the importer; but if we consider the free market rate, more than O/U $ 3.00 a dollar, we find a very different situation.

The Institute of Public Finance has always maintained the former view; this tax is applied to the imports [4]); the free market is hardly significant and hence fluctuates considerably according to the greater or smaller affluence of foreign capital, and according to the financial operations realized. The only real basis we have to appraise the real value of our currency lies in the gold contents of both currencies.

2) *Funds for Public Roads.*

This fund is formed from taxes on fuel consumption (gasoline, gasoil and dieseloil) and on the "chiffre d'affaires" of the interdepartmental bus concerns and from the yield of "betterment taxes" applied to real property which benefits by the presence of public roads.

It is composed, then, from taxes and betterment taxes; among the first are taxes on consumption and on industrial, commercial and professional activities.

3) *Public Education Fund.*

This fund is supported by a tax on all the rents in Montevideo, and it is paid by the tenant. In the other departments, it is applied to real property and it is rated according to the appraised value of the property; it really assumes the character of a tax additional to the real property tax.

4) *Economic Housing Fund.*

It is composed of: 50 % from a tax on "increase of value" collected any time a piece of real property changes hands; also it includes part of a tax applied to foreign payments in respect of goods supplied or services rendered. This tax is 6 %; 1 % is assigned to this fund and the remaining 5 % to General Income.

5) *Special Fund for Subsidizing Milk (Milk subsidy).*

This fund is formed from internal taxes on alcoholic drinks.

6) *Miscellaneous.*

Other out-of-budget fund exist, but they are not very important, due to the small volume of their income, which is financed by taxes of a different nature, for instance, the one applied to cattle for the yard per kilogram gross, which is distributed among various organizations; the fund for Rent Guarantee Service, supported by a tax on the guaranteed rents, paid by both the landlord and the civil servant tenant, etc.

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4) "Antecedentes y Naturaleza Financiera del Ingreso Cambiario en el Uruguay", Cuaderno No. 6.

The income arising from the commercial and industrial activity of the Government, which supports the Government enterprises, is excluded from this study.

VII

13) *General Résumé of the National Tax System.*

In chapters IV, V and VI of this work we analyzed separately, the income included in the General Budget, the income assigned to social security and the income assigned to special services.

In order to give a comprehensive idea of the National tax system, we are presenting below a table containing the yields of the different groups of tax, listed according to the classification mentioned in the Chapter IV, as distributed over the three groups referred to in the previous paragraph.

Type of Taxes	Budget	Social Security	Other Out of Budget Funds	TOTAL	
				O/U $	%
Tax on import and consumption .	122.267	10.465	64.428	197.160	33
Tax on commercial, industrial and professional activities	73.434	129.622	2.664	205.720	34
Tax on Real property	8.171	10.134	1.600	19.905	3
Tax on transfer of property . .	26.064	3.756	3.036	32.856	5
Tax on transactions and business .	30.700	141	1.158	31.999	5
Tax on Expenditure	342	1.727	—	2.069	—
Tax on Gambling	12.256	1.051	—	13.307	2
Tax on Salaries	156	94.079	—	94.235	16
Miscellaneous Taxes	5.828	—	4.880	10.708	2
Total Taxes . . .	279.218	250.975	77.766	607.959	100

The total of taxes reaches approximately O/U $ 608:000.000.— 46 % of this sum is assigned to the general budget; 41 % to social security not included in the general budget and 13 % being allotted to services of an out-of-budget character.

In this total, two groups clearly prevail, the tax on importation an consumption (33 %) and the taxes on commercial, industrial and professional activities (34 %). Among the first, the taxes contemplated in the budget are predominant, some others being assigned to out-of-budget services are also important (mainly Exchange benefit). Among the second group, the prevailing ones are those meant for out-of-budget social security (chiefly employers' contri-

butions [5]) for retirement, pension, family pensions, unemployment compensation) although, the taxes contained in the budget are also important.

The third important group of taxes is that relating to salaries, practically the total is affected to out-of-budget social security (workers' contributions, chapter IV No. 9), for retirements, pensions, unemployment compensations).

The remaining types of taxes are not very significant in the national tax system; as it could be noted in the preceding, most of them are assigned to the general budget.

14. The total of taxes analyzed, approximately OU $ 608:000.000.— completes the national tax system; besides, there exists the municipal tax system, contributing to the resources of 19 departmental governments, obtained in the classical way from local resources and a share of the National Revenue. This latter is used fundamentally in the case of taxes on real property, the yield of which is distributed among the departments according to the location of the property; and "Tax on the increased value of real property" 50 % of which is allotted to the local governments.

[5]) The total of OU $ 129.622.000.— does not include the contribution for the Government as an employer, to finance civil servants' retirement and pension payments, because these funds are provided for in the General Budget.

THE ASSESSMENT OF MEMBERS OF ONE HOUSEHOLD

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To continue the debate on the subject that was dealt with at the congress of the International Fiscal Association at Amsterdam in 1955: "The common assessment and collection of income tax for members of one household", I would like to make some remarks [1]). Continuation of the exchange of views on an international level would seem welcome; the discussions at some section meetings of the above mentioned congress were important and promising but, for lack of time, had to be concluded prematurely.

1. One century ago the great philosopher and economist John Stuart Mill, in his famous book on Political Economy, when dealing with the problem of equity in distributing a tax-burden over the taxpayers, wrote these golden words: "standards of perfection cannot be completely realized; but the first object in every practical discussion should be to know what perfection is".

This is still true and will always be true, not only in tax-science but in all science. I will therefore try to describe what, in the matter of the common assessment of the members of one household for income tax, may be the ideal solution as to a just distribution of the tax-burden, without regard to any existing national system. If we succeed in finding the ideal solution, each country can examine to what extent it is able to realize this ideal. This will then depend chiefly on the statistical information, on the ability of the body in charge of fiscal legislation and on the technical possibilities of the tax-administration of each country.

Any item of legislation can be sound only if the law-maker, in framing it, constantly keeps his object or objects in mind. The object aimed at here is in the first place a just distribution of the burden in levying income tax. Thus, if one table of rates is given, e.g. the one for unmarried people, then — if the tax-paying capacity is the same — the object should invariably be to impose an equally heavy burden on families of two or more members as is imposed by the said table on unmarried people.

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[1]) Thanks are due to the Commission for Statistics of the Dutch Society for Tax Science, for their comments, which have been made use of in the following.

The taxable capacity is the same, if the extent of the attainable satisfaction of wants (above the limit for essentials of life), before taxation, is the same for each adult individual. [2]) The tax burdens are equal, when that extent of individual satisfaction of wants is reduced by the same amount (percentage). Let us first simplify the problem. (As only the equity in distributing the tax-burden will be considered, we will not deal with the problem of tax collection, which is a matter of efficiency rather than of equity.)

The crux of the matter is what we usually call the ability or capacity to bear a tax-burden. Now, as far as income tax is concerned, this capacity is determined by the extent to which the wants of each of the individuals dependent on a certain income are satisfied. Thus, if we compare a bachelor with a married couple, each member of the couple is said to have the same taxpaying capacity as the bachelor, if the wants of both, the husband and the wife, are satisfied to the same extent as those of the bachelor. At first sight, one would expect this to be the case only if the income of the couple is larger than that of the bachelor.

The five principal factors governing the taxpaying capacity are

1. the size of the income;
2. the size of the property;
3. the number of persons dependent on the income and the property;
4. whether or not these persons live together as a family (form one household;)
5. the level of the cost of living in the place of residence.

For simplicity, let us leave out of consideration the size of the property and the local variations in the level of the cost of living. (It appears from the nine national reports presented before the I.F.A. Congress that there is one country that takes these local variations into account, namely Sweden, with its locally different allowances for minimum subsistence, its „Ortsabzüge". It is not only in this respect that Sweden is aiming at a correct determination of the taxpaying capacity.)

These simplifications leave three factors: income, number of persons dependent on the income and whether or not these persons form one household, together or with others. (It appears from a number of the reports that the factor of living together is also considered as quite important, especially when taxing the two members of a married couple.) Let us make some more simplifi-

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[2]) For the present, children are left out of account and only the difference between single persons and childless couples is considered.

cations by (provisonally) also leaving out of account some secondary problems which are raised in the report, as

a. that of concubinage, a side-phenomenon, in which also another aim than the equity referred to above begins to count; this point is further dealt with in § 6. So in the §§ 2—4 there is no special aim of protecting legal marriage against concubinage;
b. the question as to whether from the income of a married, working woman, the consequently higher domestic expenses should be deducted; see § 7 below;
c. the question of population policy referred to in the French report p. 121; see § 6 below;
d. the question as to whether the yield of the income tax for the the treasury affects the ratio between the rates for single and married people. The yield need not effect the question of equity either; moreover in the Netherlands — and, I presume, in many other countries — it has no essential influence on the solution of the problem;
e. the influence of relationship with respect to the possession of shares in a company which is under the control of persons belonging to one family, and similar problems (raised in the report from Israel bij Mr. Klimowsky.)

And even when we finally leave out of consideration the relation to members of the family other than the taxpayer's wife (and children), we are, after all these simplifications, still left with a complicated problem.

2. In judging the equity of a progressive income tax in connection with the two factors: size of family dependent on the income and cohabitation, the following should be borne in mind. If in a country income tax rates are fixed, which vary with the size of the family (a scale for single persons and one for married couples having no children), it is impermissible to consider separately the question whether or not the incomes of the members of one family should be added together; the two points are linked inseparably. Theoretically, it is possible also to use one scale of rates both for single people and for married couples, if, in addition, a scale is given stating for each income of a couple the amount by which this income should be reduced before the rate is applied to it. Whichever route [3]) is adopted, the following realities can invariably be incorporated in the scales:

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[3]) See § 8 below.

(1) the fact that not one but two persons must live on the income of the couple, (2) the fact that cohabitation makes the taxable capacity of the couple greater than that of the bachelor having half that income, (3) that the same applies to the domestic activity of the wife.

It should therefore be remembered that various routes may lead to the same goal which is considered just, but that in following the different routes the mutual relation between the factors determining the taxpaying capacity should invariably be the same. These considerations apply also to the determination of the correct differences in tax burden between couples having no children, couples having one child, two children, etc.

The basic question is: what amount should two married people pay as compared with the tax, imposed on a bachelor, say, a single man who is living separately and does not belong to a household. (Conversely, one may also ask: what amount should a bachelor pay in relation to the common tax-burden of two married people. In other words: what should be the tax table for the different classes of income of a couple when the table for a bachelor is given, or vice versa.) Let us assume that the table of rates for such single man is given.

The right answer to this question depends upon statistical facts, but I do not know of any country where the statistical material needed for this answer is sufficiently available. What we must know is this: if the wants of a bachelor with an income of 2000 guilders or Swiss francs or German marks are satisfied to a certain extent, what, according to statistical observation, should be the income of a couple in order to satisfy the wants of each of the two members to the same extent? Similarly, at the income of the bachelor of ƒ 3000, ƒ 4000, ƒ 5000 etc. Thus, if — starting from an income of the bachelor of ƒ 4,500.— this condition is fulfilled when the income of the couple is ƒ 7000, we say that this bachelor with an income of ƒ 4500 has the same capacity to pay income tax as each of the members of the couple with together ƒ 7000 and our sense of justice is satisfied if the bachelor has to pay so much that the satisfaction of his wants is reduced to the same extent (percentage) as that of each of the members of the couple. (This does not imply that for the couple the tax-amount in this case must be either the same or twice the tax payable by the bachelor.)

The taxable capacity of each member of a couple, which couple has an income of ƒ 7,000 is greater than that of the bachelor having an income of ƒ 3,500, firstly because the cohabitation, the living in one household, increases the possibility to satisfy wants, and secondly because in the household of the couple the wife does work for

which the bachelor living separately must pay his landlady, his housekeeper or his servant-girl. We may therefore say that the tax-paying capacity of each member of the couple is equal to half of the common income, increased by an amount representing the advantages of cohabitation and by an amount representing the advantage of the wife doing domestic work; for instance f 3500 plus f 1000 = f 4500. In other words, the wants of a single person having an income of f 4500 are satisfied to the same extent as those of each member of a couple having an income of together f 7000.

If we consider the bachelor living separately as the unit of consumption, we can say that each member of the couple represents $\frac{3500}{4500} = 0{,}78$ unit and the couple 1.56 units. This is the first (imaginary) family quotient, which in some tax-laws is reflected by the difference between the minimum cost of living — for a bachelor and for a couple — that is free from income tax, but the quotient is nowhere applied systematically in the progressive tax-tables for bachelors on the one hand and couples on the other.

In French law (p. 120 of the French report presented at the congress) we find a quotient of 2, which, obviously, is not based on statistical data in the way mentioned above and is too high when comparing a married couple with a bachelor living alone. (It is not too high when a legally married couple is compared with a couple that is also living together but is not legally married, both having their own income — a comparison that is made by M. Souillac and satisfied him. But in countries where such "wild" couples are far outnumbered by single persons, men and women, living alone, the legislator's primary concern will be to find a just relation between the tax-burdens on these single persons and on the legally married couples.)

The statistical problem — what is the income of a couple that satisfies the wants of its members to an equal extent as an income of f 2.000 (etc.) satisfies those of a bachelor — may seem simple, but is not simple at all. Many difficulties have to be overcome, which I will not mention here. But I think that the problem can be solved satisfactorily. [4]) And it must necessarily be solved, if the income tax burden is to be distributed justly over the two groups.

When the correct value of the above-mestioned family-quotient has been fixed, e.g. for an income of f 4500 for a bachelor it may not be concluded that it should be the same for all income-groups, for low and for high incomes.

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[4]) In the Netherlands we are now trying to do this.

(Another statistical question is whether single males and females may be treated alike. It seems that in a number of countries it is considered that with regard to the satisfaction of wants the single woman has a certain lead over the man, which is due to her education; here we think in the first place of cooking and sewing. It may be doubted, however, whether this difference is significant enough to lead to a difference in tax burdens.)

If the principles mentioned so far are correct, it does not matter whether it is the man or the wife who is earning the income; nor whether one has a full-time job and the other is only working part of the day, while the two incomes are in fact combined as if it were one income. And then there is no sufficient reason either why the two incomes of husband and wife — both having a full-time job or receiving income from property and in fact adding their two incomes in one household — should not be combined for income-tax purposes.

In all these cases the incomes of husband and wife have to be added together [5]), after which from this total sum the comparable income of a bachelor can be deduced with the aid of the above-mentioned statistical data. So the equivalent income of a bachelor is 'deduced' statistically. It cannot simply be fixed at half of the total income; nor can one just say that the common income is 'split' into two parts. [6])

3. In § 2 it was assumed that the extent to which the wants of the husband and the wife are satisfied is the same; this is, of course, not true. It is, however, impossible to state for each couple what part of its total income is really consumed by the husband and what part by the wife plus what — according to the marriage contract — is the share of each in the total amount saved in the year. In this respect the ideal cannot be realized. In fact the more selfrish of the two partners, the husband, will generally take most, I think. In various countries scales have been drawn up indicating the extent of consumptive expenses for each additional member of a family. The Netherlands Bureau of Statistics in 1935/6 used the following scale of units of consumption in one family, the husband being the fixed unity. In the second column the figures of the so-called Vienna scale are given:

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[5]) An allowance is to be granted for the extra expense for a domestic help that may arise if the wife has a job (outdoors); see § 7.

[6]) The therm "Zweiteilung" in the Swedisch report should therefore be handled with care.

		Netherlands	Vienna
1 child of	0 jaar	0.15	0.1
	1 „	0.20	0.1
	2 „	0.30	0.1
	3 „	0.35	0.1
	4 „	0.40	0.2
	5 „	0.45	0.2
	6 „	0.50	0.2
	7 „	0.55	0.3
	8 „	0.60	0.3
	9 „	0.65	0.3
	10 „	0.70	0.4
	11 „	0.75	0.4
	12 „	0.80	0.4
	13 „	0.85	0.5
	14 „	0.90	0.5

For children of 15 and older the Netherlands Bureau took 1 for the man and 0.9 for the woman. In Vienna they took 0.7 for the man and 0.6 for the woman of 15 and 16; 0.9 for the man and 0.7 for the woman of 17 and 18; and 1.0 for the man and 0.8 for the woman of 19 and older.

Such scales, however, are too rough, because they give the same factors for incomes of all sizes.

According to this Dutch scale, husband and wife together count for 1.0 + 0.90 = 1.9 (The figure stated in § 2 was 0.78 + 0.78 + 1.56; there the bachelor and not the married man had been taken as unity).

(In comparing these two scales it should be remembered that they were not drawn up for the same countries nor for the same years; besides, account should be taken of the type of expenditure on which the one and the other was based).

In these scales no allowance has been made for the fact that the amount required per child will drop somewhat according as the number of children increases.

The factor for each additional member of the family (fixed at 0.9 for the wife who is added to the man) should well be distinguished from the share of each in the 1.9 Suppose, however, that of the 1.9 also 1.0 would represent the husband's consumptions and 0.9 the wife's (instead of 0.95 and 0.95 as was assumed in § 2), then the example given there changes as follows, again assuming that from the cohabitation and the wife's work the couple derives a benefit of *f* 2000 —: the extent to which the husband's wants are satisfied — income of couple *f* 7000 — is equal to that of the

bachelor having an income of 10/19 × ƒ 9000 = ƒ 4,740, while that of his wife is equal to that of a bachelor having an income of 9/19 × ƒ 9000 = ƒ 4,260. It would seem, however, that in taxation it will in reality not easily be possible to take into account a difference in consumption between husband and wife and that therefore these amounts have to be taken to be equal, i.e. ƒ 4,500 ƒ 4,500 for each.

4. What we have to do statistically is, for a number of incomes, without making use of a — too rough — fixed family quotient, the following. If a bachelor has f.i. an income of ƒ 4,500, it is required to know what is the income of a married couple that satisfies the wants of each member of the couple to the same extent as those of the bachelor. Let this income of the couple be ƒ 7,000.

It is given that the bachelor with an income of ƒ 4,500 has to pay ƒ 800 tax, so that his net income is ƒ 3,700. Now it has to be determined statistically what is the income of a couple that gives each member of the couple the same amount of satisfaction as the bachelor having ƒ 3,700. Suppose this income of the couple is ƒ 6,100. Then, if the income of this couple is ƒ 7,000, the correct tax amount is ƒ 900.

We may, therefore, say that the husband has a taxpaying capacity equal to that of the bachelor having an income of ƒ 4,500, but we must not conclude from this that equal tax amounts will reduce the satisfaction of wants of the two to the same extent. The husband, after all, lives in a family, which involves an increase of his capacity to pay.

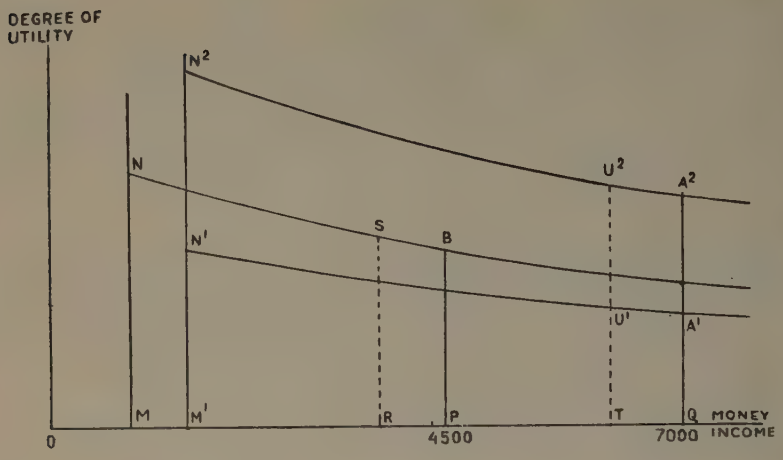
All the foregoing calculations can be incorporated in one table of rates for the married couple, next to the table of rates for the bachelor.

(Theoretically, it is not a priori certain that the tax has to be lower for the couple than for the bachelor, living alone and having the same income.)

The following graph may help to elucidate what was stated in § 2 to 4.

By statistical means M and M^1 can be determined; these are the amounts necessary for essentials of life in the case of a bachelor (M) and of a childless couple (M^1). It will be found that OM^1 is greater than OM, but not twice as great, thanks to the cohabitation and the domestic work of the wife, which both have the effect of increasing the taxpaying capacity.

Line NB represents the amount of satisfaction or degree of utility which the bachelor derives from each additional guilder of the income (marginal utility of money). Line N^1A^1 represents the



same for each member of the couple, whose wants are supposed to be satisfied to the same extent. NB is higher than N^1A^1.

MPBN is the extent of the attainable satisfaction of wants (above the minimum for essentials) of the bachelor; this area represents his taxable capacity.

$M^1QA^1N^1$ represents the taxable capacity of one member of the married couple. The taxable capacity of the second member has been superimposed (area $N^1A^1A^2N^2$).

The tax amount, RP, for the bachelor receiving an income of ƒ 4,500 has been given.

The correct tax amount, TQ, for the couple is found by ensuring that

$$M^1QA^1N^1 \ (= N^1A^1A^2N^2) = MPBN$$
and
$$M^1TU^1N^1 \ (= N^1U^1U^2N^2) = MRSN$$

The taxpaying capacities before tax are equal and the taxpaying capacities after tax are equal.

5. Similar statistical interpretations are necessary for comparison of the childless couple with the couple having one child. Theoretically, I think, this will present no new problems.

The statistical problem is to approximate, in addition to each income of a married couple having no children, the average income required for a couple having one child so that the parents will get the same amount of satisfaction as the childless couple.

In France the quotient has been fixed at ½ for each child, a figure

obviously again not based on statistical facts, so that there a couple with two minor children counts for 3, the husband counting for 1, whereas Mr. Candrian holds that for such a family about 2 will be better.

Here again the question arises to what extent these quotients for one child, for two children, etc. must vary with the size of the income and must vary also — per family — with the number of children, the figure becoming smaller as the number of children in one family increases.

It will again have to be determined what minimum amount per child for cost of living should be added to the minimum amount of the parents before tax may be imposed on the family.

6. In the foregoing the only *object* in mind was to come to a just distribution in this way that equal tax burdens should go with equal taxpaying capacity. This is a general object, which we may assume to be aimed at in all countries. However, in certain countries there may be still other objects which may more or less supersede this primary, general, aim. Thus, it is possible that in a given country the legislator wishes to stimulate the growth of the population and therefore grants a greater relief in respect of marriage and the possession of children than corresponds to the foregoing. The reserve may also occur.

In France, judging from M. Souillac's report, we find the additional aim of protecting the legal marriage against concubinage. We find that in that country the 'surtaxe progressive' for a married couple has been fixed at twice the tax that a bachelor has to pay on half their income. The result is that a married couple receiving a total income of, say, f. 20,000 pays as much as an unmarried couple living together of which each member has an income of f 10,000 Thus, the legally married couple is not taxed more heavily than the unmarried couple (often even somewhat lower, for of the latter two the woman will hardly ever have an equally high income as the man). But there is definitely no equality of burdens when comparing married couples with bachelors living alone.

In the oral discussion at Amsterdam on September 5, 1955, the same object, namely protection of marriage, was mentioned also by German and other representatives, where it was expressed as follows: a couple of which each partner has an earned income should not be taxed more heavily as a result of their marriage, for otherwise they might prefer a 'free' marriage to a legal one. Therefore, marrying couples should be left the choice between joint or separate assessments. Another representative than suggested that this facility should be granted temporarily, e.g. during five years.

In this connection it is sometimes claimed that no fiscal 'penalty' should be imposed on marriage. It will be clear, however, that if the tax is levied according to the just principles described in sections 2—4, certainly no 'penalty' is imposed on marriage, but that to permit the choice referred to would be to privilege marrying couples. This is not to say that such privileging is invariably objectionable, but it certainly is not a general principle of equity, but rather a national affair. The correct solution is therefore dependent on national conditions and on the dangers which in a given country threaten marriage.

In the Netherlands, for example, the situation, for the present, is such that the difference between the tax on a married couple, determined as justly as possible according to § 2—5, and the tax on two unmarried people living together, who are each assessed according to the rate for bachelors, is not so great that the highly valued institution of marriage is seriously endangered [7]).

7. The (attainable) individual satisfaction of wants, the extent of which determines the net taxpaying capacity, comprises those actions of expenditure on the part of the consumer which he performs of his own free will. The expenses for additional domestic help, which a married couple is forced to make, if the wife does work (for which is paid) outside the household, do not constitute part of the expenditure for the satisfaction of wants and should, therefore, in principle, be deducted from the taxable income.

The correct implementation of this rule, however, presents considerable difficulties, because the extent to which a wife is working in her own household on the one hand and in her husband's business on the other is often unverifiable; the same applies to the work of a servant-girl. Examples are farms and shops. Not every country will be able to overcome these difficulties satisfactorily.

8. In § 2—5 has been outlined the scheme [8]) that would seur to be ideal with regard to the just distribution of the tax burden. It appears that this simplified scheme still leads to a complicated solution.

About the *realization* of the aims set in sections 2—5 a few remarks will be made in this section and in the next.

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[7]) However, for the sake of justness, the Dutch legislator will have to be careful not to consider too many persons who were formerly married as still being married from the fiscal point of view; at present he is doing this on a very large scale indeed.

[8]) It is based to a certain extent also on some of the national reports, in particular those of Mr. Björkland for Sweden, Mr. Candrian for Zwitzerland and M. Souillac for France.

As already stated in § 2, various routes are open to the legislator to realize these aims. Every income tax Act has at least one scale of rates indicating the amounts of tax due for certain groups of income. The correct solutions, taking into account the composition of the family, can now further be found by means of:

(1) various scales for family assessments, viz. one scale for each size of family, the incomes of members of the family being added together;
(2) separate scales of rates, in addition to those for bachelors, for members of families, their incomes not being added together;
(3) the use of one general scale, the incomes of most taxpayers being increased or decreased by a certain amount or certain amounts before this scale is applied.

It will then have to be determined in each case which scale — from the efficiency point of vieuw — can best be taken as the basic scale. Practically speaking, this choice will be between the scale for unmarried people and the one for married people having no children.

(4) a combination of (1) or (2) and (3), namely of several scales with several increases and (or) decreases of the income.

Each country will have to ascertain — given its aims and technical possibilities — what means will there be the most efficient.

If a legislator begins by drawing up one scale of rates as a basis for taxation, he will as a rule take the one for married people having no children; then, starting from this scale, he will determine, on the one hand, the relief that should be allowed for one child, two children, etc. and on the other the increases he considers correct for unmarried persons. He will as a rule prefer the rate for married to the one for single persons, because there are more married than unmarried taxpayers and the married ones bring in a larger share of the tax.

It would have fitted this assumption if in § 2 the rates for married persons had been taken as the basic rate. It seemed, however, that the theoretical problem was somewhat easier to tackle if we began by taking the bachelor living alone as the unit of consumption and considering the rate applying to him as being given. However, he who designs legal rates, and in doing so has to derive the rate for single persons from a given rate for married persons, will follow the reverse of the train of thought given in § 2—4.

It can be concluded from the foregoing that for a childless couple,

in comparison with a bachelor, an equal burden with equal taxable capacity can be achieved either by means of two assessments, based on a rate for married individuals, corresponding to the rate for single persons — one for the husband and one for the wife or by means of one assessment on their joint income according to a separate scale of rates for married couples. The realization of the ideal is independent of the question as to which partner receives the income and from what sources they arise. The assessments for husband and wife are then not based on the income of each ,but on half of their joint income, because thus the satisfaction of each partner's wants, the taxpaying capacity of each, will best be approximated.

It is almost needless to say in this connection that for the sake of simplicity in fixing and collecting the tax one joint assessment of the joint income is the most obvious procedure.

With respect in the difference in tax burden between single persons and married couples having no children, the practical difficulties can be overcome by designing two tables of rates. Starting from a given rate (say for the bachelor) the procedure explained in § 4 can completely be worked out in a second table of tax rates for the couple, so that the tax officials in their daily work, after adding up the incomes of husband and wife, directly find the amount of the joint tax in the second table. Work is involved mainly in the collection of the necessary statistical data. However, this work need only be done once and for the whole country at one time. As a rule, this is no hindrance to any government.

However, if a legislator, in order to protect marriage, does not wish to add up the incomes of married people, who both have an income of some significance and to apply the rate for couples, referred to above, to their joint income, then he may have two assessments sent to them, the assessment of each partner being based on his (or her) own income. (A division of the joint income into ½ and ½ would then as a rule lead to an unwarranted 'second' preferential treatment.) Thus, in many cases, those married couples of which one receives no worthwhile income (i.e. the majority of married couples) will be favoured, because in the individual assessments no allowance is made for the increase in taxpaying capacity due to cohabitation and to the domestic work of the wife. [9]) This favour is unwarranted from the point of view of a just distribution of burdens. The legislator may then ascertain whether he can mitigate this unequality by increasing the incomes of the two

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[9]) The beneft of the domestic work of the wife might, however, be taken into

people assessed individually by an amount in respect of the saving due to the common household; however, this amount will yet have to be kept so low as not to interfere with his aim: protection of marriage. It may be assumed that in many countries the large majority of women will prefer a legal marriage to a free one.

I feel that we may safely say that the desirable differences in tax burden between single persons and childless couples can, in general, best be expressed in two individual rates. If with respect to these two groups a legislator yet wishes to make further, finer, distinctions, he can do this by either deducting from, or adding to, the income certain amounts of money (preferably based on statistical data). I have in mind, for instance, for unmarried persons a distinction between men and women, between persons living alone and (older) single persons still forming part of a family. The addition or deduction of such amounts can make finer differentiation possible; they may vary with the particular conditions the legislator wishes to make allowance for and — in certain cases — also with the size of the incomes concerned.

9. With respect to child allowances the legislator will have to choose again. He may — as is done, for example, in the Netherlands — incorporate them in a number of scales, one of which applies to families with one child, another to families with two children, etc. In such separate scales reasonable allowance can be made not only for the variations that are considered just in view of the size of the family, but also those which are considered just in view of the size of the income.

But it does not seem feasible in such separate scales also to take into account the ages of the children, as is done in the scales of consumption of the statisticians, referred to in § 3, which indicate the correct consumption quotient for each year of the child's age [10]). Incorporation of difference in age would, indeed, make the number of scales far too great for practical use. Therefore, if the legislator wishes to incorporate the child allowances in separate scales, it will probably appear to be inevitable to forgo differentiation according to age of the children. A lawmaker who wishes to introduce this differentiation — possibly above a certain income limit

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consideration so that individual assesments are permitted only if the wife receives income chiefly from work and not if she receives income chiefly from property, and if the remuneration of the work of the wife is at leest f.i. 1/3 of that of her husband.

[10]) It is ossible, however, that the technical difficulties will be overwon rather soon thanks to the increasing use of electronic machines.

— will have to deal with three dimensions, a problem we are for the present unable to tackle, technically. (He can, however, make small scales, one for each group of ages, in which each time for the various (relatively large) groups of incomes an amount to be deducted from the income is incorporated; but then the variation per child in connection with the size of the family is lost again.)

Thus we find that of the two kinds of differentiation one has to be sacrificed. Which is the least important, that according to the number of children per family or that according to the age of the children? Possibly the former; statistics would have to supply the right answer. But if we also take into consideration the much more cumbersome technical realization of differentiation according to age — for each assessment of a family including children a number of amounts to be deducted have to be found in the scales, these have to be added up and the total has to be deducted from the income — then the conclusion would seem to be that is is preferable to abandon the variation according to age and to be content with the use of scales of rates, one for each number of children belonging to the family, the first column indicating the size of the income. Thus

Income	Tax amount for				
	Unmarried persons	married couples having			
		no children	1 child	2 children	3 children	etc.

10. Cohabitation makes the satisfaction of wants cheaper and increases the taxpaying capacity. It is not surprising, therefore, that in the oral discussion at the above-mentioned congress a fundamental definition of 'family' in the following wide sense was put forward: the permanent cohabitation of people who pay their common expenses from common cash resources, irrespective of the family relation between these people.

In actual practice, however, it will presumably be difficult to extend the fiscal concept of 'family' even beyond the circle of the next of kin (parents with unmarried children [11]), grandparents with unmarried grandchildren, married or unmarried sisters and brothers with unmarried sisters and brothers).

In the formulation of the above mentioned definition of 'family' no

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[11]) In this paper we are not dealing with the question as to which children — age and income — should be considered as belonging the family.

room was made for the unpaid activities of the housewife; yet it is an important element in making the satisfaction of wants cheaper and increasing the taxpaying capacity of the "family". Because of the difficulties of the practical application, perhaps it will be necessary to limit the definition of "family" to the well-known civil-law structure: married couple with children.

L'IMPOSITION DES MEMBRES D'UN MENAGE

par le Professeur W. J. DE LANGEN

RÉSUMÉ

1. Le but à atteindre est la répartition équitable des charges provenant de l'impôt sur les revenus. Etant donné le barème, d'une part, pour les célibataires, d'autre part, pour les mariés sans enfants, il faut arriver, pour une même capacité contributive, à des charges égales. Il y a même capacité contributive lorsque avant toute imposition la mesure des besoins satisfaits (au-delà du minimum vital exempt d'impôt) est la même pour chaque individu adulte. Il existe des charges égales quand une fraction égale est soustraite de ces besoins satisfaits. Pour simplifier, entre les cinq facteurs les plus importants qui déterminent la capacité contributive, on considérera uniquement: 1. la grandeur du revenu; 2. le nombre de personnes qui dépendent de ce revenu; 3. si elles vivent ou non dans les liens d'un ménage. On négligera nombre de problèmes accessoires.

2. Différents moyens peuvent être employés pour atteindre le but défini au § 1. Voir § 8. Cependant, quel que soit le moyen que l'on veuille utiliser, il faudra toujours tenir compte des réalités suivantes: 1. deux personnes doivent vivre du revenu d'un couple marié; 2. la cohabitation augmente la capacité contributive; 3. le travail de la femme mariée augmente aussi la capacité contributive.

La capacité contributive de chaque membre d'un couple marié disposant de Fl. 7.000 est plus grande que celle d'un célibataire disposant de Fl. 3.500, grâce à l'habitation en commun et à l'activité de la femme.

La solution exacte doit se fonder sur des données statistiques, mais celles-ci ne sont encore disponibles nulle part. En principe, on pourra toujours cependant cumuler les revenus du mari et de la femme.

3. Le barème néerlandais C.B.S. de 1935—1936 et le barème viennois des unités de consommation d'un ménage font apparaître l'importance des dépenses de consommation correspondantes. Ces barèmes sont trop approximatifs notamment parce qu'ils font figurer les mêmes facteurs de quelque côté que se trouve la grandeur

des revenus. Ainsi faudra-t-il bien, quoique ce ne soit point conforme à la réalité, admettre une consommation égale chez l'homme marié et chez l'épouse.

4. Voici ce que, au point de vue statistique, nous avons dû faire aussi bien que possible: rechercher, par comparaison à un revenu de, p. ex., Fl. 4.500 chez un célibataire, le revenu d'un couple marié qui procure à chacun de ses membres une satisfaction de ses besoins de valeur égale. Si l'on suppose qu'à charge du célibataire gagnant 4.500 Fl. il est levé un impôt de 800 Fl., il faudra donc rechercher par la voie de la statistique au moyen de quel revenu pour un couple marié, chacun de ses membres atteint une satisfaction de ses besoins de même ordre que le célibataire disposant de 3.700 Fl. Si ce revenu pour le couple marié monte à Fl. 6.500, la juste imposition pour un couple ayant un revenu de Fl. 7.000 sera de 500 Fl. Ce genre de recherche doit se faire pour nombre de cas.

5. Il faut procéder de la même manière quand on estime la différence des charges pour un couple marié sans enfants et pour un couple avec un enfant.

6. A côté du but général consciemment visé, peuvent également jouer un rôle des fins accessoires telles que l'augmentation de la population et la protection du mariage.

7. Si la femme travaille, il faut, en principe, admettre la déduction de la plupart des dépenses pour aide ménagère.

8. Quel sera le moyen technique qu'un pays utilisera pour réaliser les fins exposées aux §§ 2 à 5? C'est là un problème d'efficacité que tout pays doit résoudre pour soi. Le tarif de base sera en général celui qui touche les gens mariés sans enfants. On trouve le plus souvent une cotisation établie pour un couple. Pour remédier à la différence des charges chez les célibataires et chez les couples mariés, le mieux est de pouvoir utiliser deux tarifs; d'autres raffinements sont possibles.

9. Divers moyens techniques sont également utilisables quant aux réductions pour enfants. Aux Pays-Bas on se sert d'un barème différent pour chaque nombre d'enfants; on n'y tient pas compte de l'âge des enfants.

10. Qu'est-ce qu'un ménage? Dans quels cas le travail non rémunéré de la femme mariée peut-il entrer en ligne de compte?

GROWTH MODELS AND FISCAL-POLICY PARAMETERS

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The original Kahn-Keynes multiplier theory has been extended to the field of public finance, so that today fiscal operations are no longer contemplated without reference to business cycles. This, to be sure, is a great advance in fiscal thinking, but fiscal theory and policy should be increasingly guided by the proposition that it is myopic to strive for the short-period stabilization of effective demand without due regard to the stable growth of maximum productivity compatible with population growth and technological advance. [1]) Yet the growth models of Harrod, Domar, Kalecki, and Haavelmo, [2]) to mention only the best known, are based on the tacit or explicit assumption that government economic activities play no part in secular growth. [3]) The purpose of this paper is to fill a gap in the recent literature on growth economics, a gap which owes its presence to the simplifying assumption of fiscal neutrality and which, if unfilled, would remain anachronistic in the modern era of mixed economies.

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[1]) Professor Hansen is, as far as I am aware, among the very first to give emphasis to the need for long-term fiscal policy in addition to purely countercyclical fiscal operations. See A. H. Hansen, *Fiscal Policy and Business Cycles,* Norton, N.Y., 1941, and *Economic Policy and Full Employment,* Whittlesey, N.Y., 1947. For re-inforcing arguments see A. Smithies, "Federal Budgeting and Fiscal Policy," in *A Survey of Contemporary Economics* (H. S. Ellis, ed.), Blakiston, Philadelphia, 1948.

[2]) Cf. R. F. Harrod, *Towards a Dynamic Economics,* Macmillan, London, 1948; E. D. Domar, "Capital Expansion, Rate of Growth and Employment," *Econometrica,* April 1946; M. Kalecki, *Theory of Economic Dynamics,* Rinehart, N.Y., 1954; T. Haavelmo, *A Study in the Theory of Economic Evolution,* North-Holland Publishing Co., Amsterdam, 1954. The assumption of fiscal neutrality involved in all of these writings serves to bring out in bold relief fundamental insights into the turbulent growth of laissez-faire economies, however. Of these writers, Mr. Harrod is the most policy-conscious, but Mrs. Joan Robinson has criticized his policy discussions as being "without much dependence on his own new contributions." (See her "Mr. Harrod's Dynamics," *Economic Journal,* March 1949.)

[3]) An exception will be found in J. G. Gurley, "Fiscal Policy in a Growing Economy," *Journal of Political Economy,* December 1953. Mr. Gurley, while calling attention to the important aspect of growth economics neglected by other writers, nevertheless is open to criticism for his opacity concerning the instability conditions of dynamic equilibrium which fiscal policy is supposed to remedy, for neglecting redistribution effects of long-term fiscal operations on secular growth, and for concentrating on the cyclical rather than chronic instability of a growing economy.

1. *The Instability of Dynamic Equilibrium*

So that the specific operations may be meaningful, we shall begin with an analysis of the inherent instability of dynamic equilibrium (with a positive constant rate of change) in pure laissez-faire conditions. Fundamentally the economy tends to diverge chronically from the path of steady progress because the rate of growth consistent with private saving and investing seldom coincides with the rate of growth compatible with population growth and technological advance. For the purpose of this discussion we may designate as the equilibrium rate of steady progress without fluctuation that rate of growth of output (real net) which is required to keep a growing population with an increasing productivity of labor fully employed.[4]) This is the maximum potential rate of growth attainable in any society.

Taking the average real wage-rate as given and the ratio of labor to output as technologically fixed, we have the following relations:

$$(1) \qquad \frac{N}{Y} = \nu, \qquad N = \nu Y, \qquad Y = \frac{N}{\nu},$$

where N is the amount of labor when fully employed, Y real net national output, and ν the average labor-output ratio.

From (1) and since the average productivity of labor is the reciprocal of the labor-output ratio,[5]) the relation of output and labor can be expressed in the form

$$(2) \qquad Y = \varrho N; \qquad \left(\varrho = \frac{1}{\nu} = \frac{Y}{N}\right),$$

where ϱ is the coefficient measuring the average productivity of labor. Here $\triangle Y = \varrho \triangle N$ implied.

From (1) and (2) and by denoting the ratio of additional labor to output ($\triangle N/Y$) as n, we have the "full-employment" rate of growth of output:

$$(3) \qquad \frac{\triangle Y_n}{Y} \equiv G_n = \frac{\triangle N}{Y} \cdot \varrho = n\varrho,$$

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4) For the detailed determination of this rate see my "Growth Analysis and the Problem of Capital Accumulation in Underdeveloped Countries," *Metroeconomica*, December 1954.

5) If, for example, $N = 20$ and $Y = 100$ so that $\nu = .2$, then the average productivity of labor (ϱ) must be 1/.2, or 5.

where $\triangle Y_n/Y$ or G_n is the full-employment rate of growth of output, the realization and maintenance of which rate presupposes a certain rate of capital accumulation. On the favorable assumption that there is always sufficient real capital to equip a growing labor population, we can say that G_n is what guarantees the maintenance of full employment. But G_n does not necessarily guarantee full utilization of capital. This is where we must turn to the determination of the "full-capacity" rate of growth, in contradistinction to the above "full-employment" rate of growth.

We know that savings and investment are equal in equilibrium:

$$(4) \qquad I = S; \quad \frac{I}{Y} = \frac{S}{Y} \equiv s,$$

where I is net investment, S net savings, I/Y the investment ratio, and S/Y or *s* the saving ratio.

Next we assume that there are definite relations between capital and output:

$$(5) \qquad \frac{K}{Y} = \mu, \quad K = \mu Y, \quad Y = \frac{K}{\mu},$$

where K is the amount of real capital when fully utilized and μ the average capital-output ratio. Since net investment is the equivalent of an increment of capital stock, we can express net investment in the form

$$(6) \qquad I \equiv \triangle K = \mu \triangle Y_k,$$

which shows that net investment is just sufficient to meet the increased demand for output or, alternatively, that an increment of full-capacity output ($\triangle Y_k$) is "warranted" by an increase in the stock of capital equal to $\triangle K$, since this latter is just what is required to meet current demand, that is, without creating excess or short capacity.

From (4) — (6) we have the "full-capacity" rate of growth of output:

$$(7) \qquad \frac{\triangle Y_k}{Y} \equiv G_k = \frac{s}{\mu}; \quad \mu G_k = s.$$

Here it is to be noticed that since the average productivity of capital is the reciprocal of the capital-output ratio, equation (7) can be expressed in the equivalent form

$$(8) \qquad G_k = s\,\sigma; \quad \left(\sigma = \frac{1}{\mu} = \frac{Y}{K}\right),$$

where σ is what Domar has termed the "average productivity of investment." The full-capacity growth rate given by (7) or (8) presupposes a certain rate of population growth to man a growing stock of capital. Assuming that there is always an elastic supply of labor, we may say that G_k is what guarantees full utilization of the existing stock of capital. But G_k does not necessarily guarantee full employment of labor, since population growth and technological advance are not in fact always such as to insure an elastic supply of labor consistent with the demand for labor to be combined with capital. That Domar tacitly assumes an elastic supply of labor in his growth model may be a reflection of a Keynesian underemployment world; the assumption should, in any case, be made explicit, instead of letting σ subsume population, technology, and what not. [6])

Suppose that the economy is actually growing at the rate of G_n, that is, at the full-employment rate. Now there is no reason why the full-capacity rate of growth should always coincide with the full-employment growth rate, except by chance or by design. But for the sake of argument let us suppose that the economy is initially in what Mrs. Joan Robinson calls "the golden age" [7]) in which the rate of capital accumulation is in perfect harmony with the rate of population growth so that there is full employment of *both* capital and labor. The necessary condition for the maintenance of "the golden age," as such, is:

$$(9) \qquad G_k = G_n; \quad s/\mu = n\varrho.$$

Equation (9) shows the condition necessary for the maintenance of stable growth without chronic divergences. Suppose, however, that at some point of time $t > O$ the saving ratio (s) falls permanently so that the full-capacity growth rate (G_k) falls below the full-employment growth rate (G_n), according to (7). This endogenous shock of the form $G_k < G_n$ sets off a divergent tendency to secular inflation, since the saving consistent with the full-capacity growth rate is now less than the rate of investment induced by the actual trends of population and technology, that is, $\mu G_k = s < \mu G_n$. The actual divergent path of secular inflation would be characterized by

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[6]) The same criticism applies to Gurley, though not to Harrod who provides a "natural" growth rate to indicate population, etc. explicitly.

[7]) See her *The Rate of Interest and Other Essays*, Macmillan, London, 1952, p. 98.

the rising trend of money national income, according to the mechanism of the form $dY_m/dt = f(I_m - S_m)$, where Y, I, and S are income, investment and savings and the subscript m denotes the variables measured in terms of money.

Conversely, suppose that the saving ratio rises permanently at $t > O$. Then the full-capacity growth rate must rise above the full-employment growth rate, $G_k > G_n$. This excess of G_k over G_n entails an oppositive divergent tendency to secular stagnation, since the saving ratio consistent with the full-capacity growth rate is this time greater than the rate of investment induced by the actual growth of population and of technology, that is, $\mu G_k = s > \mu G_n$. The divergent path of secular stagnation would be characterized by the declining trend of real income, according to the mechanism of the form $dY/dt = F(S - I)$. In the absence of counterbalancing policies the initiating disturbances due to permanent changes in the saving ratio (or, for that matter, in the capital-output ratio) would create ever widening growth gaps between G_k and G_n with time, the inflationary or stagnationary nature of chronic instability involved depending on $G_k \gtrless G_n$. Thus we can think of the instability condition of dynamic equilibrium in terms of an increasing growth gap, that is,

$$\triangle(G_n - G_k) = \varphi(G_n - G_k), \tag{10}$$

where the function φ has the properties $\varphi(O) = O$ and $\varphi' > O$ (where $\varphi' = dX/dt$; $X = G_n - G_k$).

Such, in brief, is the inherent nature of secular instability involved in a pure laissez-faire growing economy. The above analysis seems sufficient to indicate the general objectives of dynamic fiscal policy for stable growth. For the implication for fiscal policy in the possible case of secular inflation due to $G_k < G_n$ is that the saving ratio should be increased through tax-expenditure operations so as to make $\mu G_k = s = \mu G_n$. Contrariwise, the saving ratio should be decreased if the economy is threatened with a tendency to chronic stagnation due to $G_k > G_n$. But to a consideration of the *specific* fiscal operations we must now turn.

2. *Specific Fiscal Operations*

To show the role of government economic activities, it is necessary to introduce fiscal-policy parameters representing those activities into growth equations. We begin with the assumption that there

are definite relations between real national income and taxes, transfer payments, and government expenditures (all in real terms):

$$(11) \qquad \frac{T}{Y} = z, \frac{R}{Y} = r, \frac{G}{Y} = g,$$

where Y is real national income, T taxes (Federal, State and local), R transfer payments (including social security benefits, relief, subsidies, and interest on public debt), G government expenditures, z the government average propensity to tax, r the government average propensity to transfer, and g the government average propensity to spend. Here z, r, and g are fiscal-policy parameters subject to the legislative constraint. It is to be noticed that transfer payments are explicitly introduced here as a measure of income redistribution,[8]) instead of subsuming them in "net withdrawals" $(W = T - R)$.

The typical budgetary positions may be characterized by

(a) $(z - r) = 9$ (budgetary balance),
(b) $(z - r) > g$ (budgetary surplus),
(c) $(z - r) < g$ (budgetary deficit).

Here the budgetary balance (a) is to be regarded as zero government saving, the budgetary surplus (b) as positive government saving, and the budgetary deficit (c) as negative government saving (dissaving by public borrowing or by drawing down past savings). Dynamic long-term fiscal policy includes appropriate shifts in these typical budgetary positions.

From equations (7) and (11) and the above description, we have the savings-investment relation for the economy as a whole:

$$(12) \qquad sY + zY - rY - gY = (s + z - r - g)\,Y = \mu \triangle Y_k,$$

the right-hand side of which represents private induced investment and the lefthand side total savings, private and government.

From (12) we have the full-capacity growth rate which depends

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8) Since transfer payments (R) are made without reference to the tax contributions of the particular recipients affected. Strictly speaking, redistribution effects of fiscal policies on secular growth should be analyzed in terms of the changing composition of net withdrawals, that is, with reference to progressive tax and transfer rates imposed on different income groups (on some definition). We shall make such an analysis later, but for the moment we shall take the tax structure as given.

on the technical relation of private and government saving ratios to the capital-output ratio:

$$(13) \qquad \frac{\triangle Y_k}{Y} \equiv G_k = \frac{s + z - r - g}{\mu} .$$

It is clear from equation (13) that the effect of the balanced budget on the full-capacity growth rate is neutral inasmuch, that is, as government saving is zero when $(z - r) = g$. But suppose that the full-capacity growth rate falls below the full-employment growth rate, $G_k < G_n$, owing to a permanent fall in the private saving ratio (s) at some time $t > O$, according to equation (7). The long-term compensatory fiscal policy called for is to achieve and maintain a positive government saving ratio (i.e., a persistent budgetary surplus), if there is to be $G_k = G_n$. Conversely, should there be $G_k > G_n$ owing to a permanent rise in the private saving ratio, the fiscal policy required is to achieve and maintain a negative government saving ratio (i.e., to hold a budgetary deficit).

However, as equation (13) suggests, there are in fact alternative fiscal operations on z, r, and g in order to change the government saving ratio according as the private saving ratio is too high or too low in relation to that which is required for the full-employment growth rate, given the capital-output ratio. The over-all objectives of making $G_k = G_n$ can and must be implemented by such specific fiscal operations as are consistent with the concrete circumstances giving rise to $G_k \gtrless G_n$ as well as with the best judgment of the fiscal authorities regarding the relative weights to be given te z, r, and g. If, for instance, the full-capacity growth rate consistent with private saving ($G_k = s/\mu$) is below the full-employment growth rate (G_n) so as to threaten a constantly inflationary economy, fiscal policy should be aimed at making $G_k = G_n$ by maintaining a budgetary surplus through (1) a fall in the government average propensity to spend, g, 2) a rise in the average propensity to tax, z, or 3) a fall in the average propensity to transfer, r. It is of course possible to combine these operations in order to reduce the pressure on any one operation. [9]) That these alternative fiscal operations are apropos of less developed economies is not hard to surmise, since those economies are generally characterized by a

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[9]) For some of the institutional and political difficulties involved in fiscal operations, see H. R. Bowen and G. M. Meier, "Institutions Aspects of Economic Fluctuations," in *Post-Keynesian Economics* (K. Kurihara, ed.), Rutgers Univ. Press, 1954, pp. 164—167.

tendency to persistent inflation due to capital growth lagging behind population growth, as $G_k < G_n$ implies.

If, on the other hand, the full-capacity growth rate consistent with private saving is above the full-employment growth rate so as to threaten a constantly depressed economy, the aim of making $G_k = G_n$ would require 4) a rise in the government average propensity to spend, g, 5) a fall in the average propensity to tax, z, or 6) a rise in the average propensity to transfer, r — in sum, through a continuous budgetary deficit. If the rate of private capital accumulation tends to outstrip the rate of population growth and of technical advance, as in developed economies, an attempt to maintain a budgetary deficit, far from being "immoral", is perfectly consistent with the general objective of promoting stable growth with full employment of both labor and capital but without secular stagnation. The usual objections to the budgetary deficit would lose much of their force if a constantly buoyant economy could be maintained through a skilful combination of tax reduction, government expenditure, and transfer payments.

The foregoing analysis has abstracted from the *composition* of the tax rate and the transfer rate, but it is now necessary to show that different tax rates and transfer rates on different income brackets are capable of changing the private saving ratio and hence of affecting stable growth. For convenience we shall break down total national income into that part going to low-income brackets (Y_1) and the remaining part going to high-income brackets (Y_2), that is,

$$Y = Y_1 + Y_2, \tag{14}$$

the distribution ratio of which is

$$\frac{Y_1}{Y} = d; \quad \frac{Y_2}{Y} = (1 - d). \tag{15}$$

Next we assume that total taxes are divisible into those imposed on low-income brackets (T_1) and those on high-income brackets (T_2), the tax rate on the former being lower than the tax rate on the latter according to the principle of ability to pay:

$$T = T_1 + T_2 = z_1 Y_1 + z_2 Y_2, \tag{16}$$

where z_1 is the average tax rate on low-income brackets and z_2 that on high-income brackets.

Likewise transfer payments can be divided into those going to low-income brackets (R_1) and those going to high-income brackets (R_2), the transfer rate for the former being usually higher than that for the latter, especially in these welfare-conscious times:

$$(17) \qquad R = R_1 + R_2 = r_1 Y_1 + r_2 Y_2,$$

where r_1 is the average transfer rate for low-income brackets and r_2 that for high-income brackets.

The savings (personal and corporate) of low-income brackets after taxes and transfer payments are:

$$(18) \qquad S_1 = s_1 (Y_1 - T_1 + R_1) = s_1 (1 - z_1 + r_1) Y_1,$$

where s_1 is the average propensity to save of low-income brackets out of disposable income.

Similarly the savings of high-income brackets are:

$$(19) \qquad S_2 = s_2 (Y_2 - T_2 + R_2) = s_2 (1 - z_2 + r_2) Y_2,$$

where s_2 is the average propensive to save of high-income brackets out of disposable income. It is assumed that $s_2 > s_1$.

From (14) — (19) it is clear that the full-capacity growth rate expressed by equation (13) can now be modified to show redistribution effects on the private saving ratio and hence on its relation to the full-employment growth rate:

$$(20) \qquad G_k = \frac{[s_1(1 - z_1 + r_1)d + s_2(1 - z_2 + r_2)(1 - d)] + z - r - g}{\mu} \gtrless G_n,$$

where $s_1 (1 - z_1 + r_1)d$ and $s_2(1 - z_2 + r_2)(1 - d)$ are the average propensities to save of low-income and high-income brackets out of national income.

Equation (20) indicates that even if the average propensities to save of two income groups out of disposable income (s_1, s_2) are fixed, variations in relative tax rates (z_1, z_2), relative transfer rates (r_1, r_2), and the distrubtion ratio (d, and hence 1 — d) are capable of changing the aggregate average propensity to save out of national income and therefore the full-capacity growth rate, independently of whether the government budget is balanced or unbalanced, $(z - r) \gtrless g$. Since high-income brackets' average propensity to save is greater than low-income brackets, an attempt to

reduce the over-all private saving ratio would call for an increase in z_2, a decrease in r_2, a decrease in z_1, and an increase in r_1 — in sum, a highly progressive tax-transfer structure. Moreover, the same attempt would require an increase in the distribution ratio (d) through more progressive inheritance or death duties and perhaps other methods. The converse holds valid if and when the need is to increase the over-all private saving ratio.

Fiscal policy is also capable of influencing the capital-output ratio (μ), albeit in a roundabout way. We know from equation (7) that, given the full-capacity growth rate consistent with the full-employment growth rate and the saving ratio, it is possible to estimate the technological parameter (μ) desired, according to $\mu = s/G_k$. Suppose, for example, that $s = .2$ and $G_k = G_n = .05$. Then the desired capital-output ratio must be .2/.05, or 4. But suppose, further, that the prevailing capital-output ratio is 3, instead of 4. The need in this case is to increase the capital-output ratio to the desired figure of 4. Considering the capital-output ratio as an object for fiscal policy, there are at least three ways in which it can help increase that ratio, namely, 1) a persistent "cheap money" policy, 2) a systematic program of encouraging "capital-using" inventions and innovations, and 3) a long-term program of promoting a structural shift from agriculture to manufacturing, from light to heavy industries, or from trade-service to basic industries.

The first of these, a "cheap money" policy, is here considered as an integral part of long-term debt management. As such, it is perfectly consistent with the smooth debt management required of an economy with a large and growing public debt. This method, if adopted, would have the effect of deepening capital per unit of output via smaller capital charges entering the cost of producing durable equipment. If a "cheap money" policy also had the effect of decreasing the private saving ratio, as it might in the long run, such an effect would be conducive to stable growth in the circumstances characterized by the full-capacity growth rate tending to exceed the full-employment growth rate, owing to a high saving ratio or to a low capital-output ratio. The necessary mental reservation to have here is that a persistent "cheap money" policy, however consistent with debt management and stable growth, might encounter the organized resistance of private banking and insurance interests.

The second method might come about through a policy of selective subsidies (subsumed in the transfer rate, r) to the individual firms and industries most likely to adopt "capital-using" know-how, without thereby affecting the over-all size of r and hence of

s. The third and last method mentioned above could be effected through a combination of selective subsidies and tax remissions in favor of industrial developments along capital-requiring lines, without thereby altering the overyall values of r and z and hence of s. However, all these methods of increasing the capital-output ratio through fiscal policy have the practical disadvantage of reducing the average productivity of capital, inasmuch as an attempt to increase the capital-output ratio is tantamount to decreasing σ ($\sigma = 1/\mu = Y/K$). This disadvantage, though, re-inforces the argument that it is more fruitful to concentrate on the fiscal measures to modify the saving ratio, instead of attempting to alter the capital-output ratio.

The above disadvantage does not exist where there is a general tendency to secular inflation. For what is needed in this instance is an increase in the average productivity of capital (i.e., a reduction in the capital-output ratio) so as to bring up G_k into line with G_n. Thus a fiscal-monetary attempt to maintain a "dear money" policy, a long-term policy of encouraging "capital-saving" applications, and a fiscal program of stimulating less capital-requiring methods of production are all commensurate with the over-all objective of increasing the productivity of capital (that is, of decreasing the capital-output ratio). All this, however, is based on the assumption that the saving ratio is difficult to increase through a budgetary surplus and other measures. If, in the future, presumably "capital-saving" nuclear energy becomes generally available for peaceful applications, the otherwise heavy burden on the fiscal effort to increase the saving ratio may well be lightened considerably.

3. *Concluding Remarks*

If the economy is characterized by the rate of population growth tending to outrun the rate of capital accumulation, as represented by $G_n > G_k$, the resulting danger of persistant inflation can be minimized through 1) a fall in the government average propensity to spend, 2) a rise in the government average propensity to tax, or 3) a fall in the average propensity to transfer — in short, through a continuous budgetary surplus. Alternatively, the same inflationary tendency can be diminished by a fiscal policy of varying the composition of the tax rate and the transfer rate on the principle of ability to pay, thus combining redistribution effects and growth effects. This latter approach is independent of shifts in the budgetary position, that is, of whether government savings are positive, negative, or zero.

If, on the other hand, the economy is characterized by the rate of capital accumulation tending to outstrip the rate of population growth, as represented by $G_k > G_n$, the consequential danger of secular stagnation can be reduced through 4) a rise in the government average propensity to spend, 5) a fall in the average propensity to tax, or 6) a rise in the average propensity to transfer — in brief, through a persistent budgetary deficit. The same stagnationary danger can be minimized through a highly progressive tax-transfer structure, provided that redistribution effects of such a fiscal structure on stable growth are not offset by an unrestrained monopolistic concentration of income and wealth. Here anti-monopoly policy and fiscal policy re-inforce each other in the long-run interest of stable growth.

The capital-output ratio is also susceptible to fiscal influence via appropriate debt management, selective subsidies, and discriminating tax remissions. But the various difficulties involved in the fiscal effort to influence such a technological parameter seem to favor the view that the main emphasis should be given to fiscal measures to alter the saving ratio, private or public. [10])

Our treatment of government expenditure is subject to the criticism most articulately voiced by Mrs. Robinson: "Before we have examined what arrears of beneficial investment remain to be made good, there is little point in discussing schemes to throw away potential savings by budget deficits caused by trax-remissions to the wealthy, or schemes of investment in piling up stocks of commodities which... would be scarcely more productive than digging holes in the ground." [11]) This criticism seems especially apropos of a situation where government expenditure is geared to warfare rather than to welfare, whatever the noneconomic justification for the former might be. At any rate the productivity of government expenditure, as distinguished from its income-generating multiplier effects, would be enhanced if more attention was paid than at present to "the relative importance of the various elements in it

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10) This seems to be the policy position implicit in Professor Fellner's discussion of the capital-output ratio, though he relies on monetary rather than fiscal policies for influencing growth parameters. See W. Fellner, "The Capital-Outut Ratio in Dynamic Economics," in *Money, Trade, and Economic Growth* (In Honor of J. H. Williams), Macmillan, N.Y., 1951. In this regard, it is difficult to share the optimism of Mrs. Robinson who argues that "scientific discovery itself is not just like the weather, but is susceptible to being directed and speeded up." (See her "Mr. Harrod's Dynamics," *op. cit.*) For one cannot adduce the actual application of "capital-using" or "capital-saving" know-how without reference to the elasticity of substitution of factors and prevailing market conditions.

11) "Mr. Harrod's Dynamics," *op. cit.*

[government expenditure]," as Mrs. Robinson suggests.[12]) However, the above criticism seems to apply to capital-poor economies with greater force than to capital-rich economies.

Finally, a more comprehensive long-term fiscal policy would consider the possibility of influencing the rate of population growth[13]) and hence of altering the full-employment growth rate (G_n) as well, instead of concentrating on the exclusive operations on G_k. Moreover, such a policy would have to view even exports and imports as objects for fiscal manipulation. Realization of a more comprehensive long-term fiscal policy depends not only on further theoretical analysis but also on how far the economic possibilities of fiscal policy can be made reconcilable with its political limitations.

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[12]) *Ibid.*

[13]) In this respect, Mr. Kaldor states: "What he [Mr. Harrod] did not allow for was that the 'fundamental conditions' determining the natural rate of growth are not determined by Heaven — they are pliable (within wide limits) and can be pushed outwards or pulled inwards by the endogenous forces of the economic system." See N. Kaldor, "The Relation of Economic Growth and Cyclical Fluctuations," *Economic Journal*, March 1954. A similar view is expressed in Haavelmo's book cited earlier. But neither of them suggests that population growth or the labor-output ratio be considered as objects for fiscal policy, a suggestion that might have a strong appeal to overpopulated underdeveloped economies.

MODELES DE CROISSANCE ET PARAMETRES DE POLITIQUE FISCALE

par KENNETH K. KURIHARA

RÉSUMÉ

Le propos de cet article est la discussion des effets techniques des changements dans les opérations fiscales à long terme sur la croissance maximum possible de la production conciliable avec l'accroissement de la population et le progrès technique dans le cadre d'une économie mixte moderne typique. Comme tel, l'article tend à prendre place dans les théories pures de la croissance économique liées aux noms de Harrod, Domar, Kalecki, Haavelmo, et autres.

La section 1 examine l'instabilité inhérente à l'équilibre dynamique dans des conditions de pur laisser-faire en vue de déterminer les opérations fiscales spécifiques nécessaires pour réduire au minimum les déviations possibles en dehors de la ligne voulue d'accroissement de l'équilibre (G_n mentionné ci-après). Le mécanisme de ces déviations est conçu en termes de discordances entre le taux de „plein emploi" de l'accroissement correspondant aux tendances actuelles de la population et de la technologie et le taux de „pleine capacité" de l'accroissement reflétant les propensions privées à l'épargne et à l'investissement. La condition nécessaire pour le maintien de ce que Mme Joan Robinson appelle „l'âge d'or" est exprimée par la formule

$$G_k = G_n \text{ ou } s/\mu = n\,\varrho\,,$$

où G_k est le taux de „pleine capacité" d'accroissement de la production,

G_n le taux d'accroissement de „plein emploi"
s le taux de l'épargne
μ le taux de la formation du capital
n le taux d'accroissement de la population active, et
ϱ le coefficient technologique mesurant la productivité moyenne du travail.

Quand la condition d'équilibre ci-dessus est satisfaite, nous avons „l'âge d'or" où le taux de formation du capital est en parfaite harmonie avec le taux de croissance de la population de sorte qu'il existe un plein emploi tant du capital que du travail sur une base durable. La condition d'instabilité de l'équilibre dynamique s'exprime dans les termes d'un défaut grandissant d'accroissement, c.à.d. sous la forme

$$\triangle\ (G_n - G_k) = \emptyset\ (G_n - G_k)$$

où la fonction $\emptyset$ a les propriétés

$$\emptyset\ (0) = 0 \text{ et } \emptyset' > 0.$$

C'est pour supprimer ce défaut grandissant d'accroissement qu'une politique fiscale dynamique est jugée nécessaire et souhaitable.

La section 2 est le coeur de l'article car elle analyse les effets de modifications introduites dans les paramètres fiscaux sur le taux d'accroissement de „pleine capacité" lequel peut ne point coïncider avec le taux d'accroissement de „plein emploi" dans le monde réel. Les paramètres fiscaux introduits primitivement, sont:

z, la propension moyenne de l'État à taxer,

r, la propension moyenne de l'État à opérer des transferts (avantages de la sécurité sociale, secours, subsides, paiement des intérêts de la dette publique, etc.) et

g, la tendance moyenne de l'État à dépenser.

Une épargne nulle de l'État s'exprime dans le cas d'équilibre budgétaire, par:

$$z - r = g,$$

une épargne positive de l'État dans le cas d'un boni budgétaire:

$$z - r > g,$$

et une épargne négative de l'État dans le cas de mali budgétaire:

$$z - r < g.$$

Une politique fiscale dynamique est en principe considérée comme impliquant des mesures appropriées dans ces trois situations budgétaires. On généralise la relation technique de ces paramètres fiscaux et des autres coefficients d'accroissement par la formule

$$G_k = \frac{s + z - r - g,}{\mu}$$

qui montre que le taux t'accroissement de „pleine capacité" est fonction du rapport des taux de l'épargne privée et publique avec le taux de la formation du capital.

Les implications politiques déterminées de l'équation ci-dessus sont exposées eu égard aux conditions concrètes données d'instabilité chronique. Donc, si on considère une économie constamment inflationniste, puisque $G_k < G_n$ résulte d'une insuffisance permanente dans le taux de l'épargne privée, l'objectif général, rendre $G_k = G_n$, peut être réalisé 1) par diminution de g, 2) par augmentation de z, ou 3) par diminution de r, en bref par un boni budgétaire persistant. Si une augmentation persistante du taux de l'épargne privée rend $G_k > G_n$, soit donc à considérer une économie

en constante dépression, l'objectif général peut être atteint par 4) augmentation de g, 5) diminution de z, ou 6) augmentation de r, en somme par un déficit budgétaire constant. Plus loin, on procède à l'analyse des effets de modifications d'origine fiscale sur la distribution du revenu. Pour cela, on se sert de paramètres fiscaux supplémentaires, soient:

d, la valeur du rapport de l'ensemble des petits revenus au revenu national (donc 1 —d, sera l'autre moitié de la distribution)
z_1 et z_2, les taux d'impôts différents sur les petits et les gros revenus. et
r_1 et r_2, les taux de transferts différents à partir des petits et des gros revenus.

Ces coefficients supplémentaires sont considérés comme influançant les dispositions à l'épargne des groupes de revenus envisagés. On généralise le résultat par la formule:

$$G_k = \frac{s_1\ (1-z_1+r_1)\ d+s_2\ (1-z_2+r_2)\ (1-d)\ +z-r-g}{\mu} \lessgtr G_n$$

Elle montre que, même si le taux de l'épargne des deux groupes de revenus suivant le revenu disponible (s_1, s_2) est constante, des modifications des taux relatifs d'impôt (z_1, z_2), des taux relatifs de transferts (r_1, r_2), et des valeurs respectives de la distribution (d, 1 — d) sont capables de modifier la disposition moyenne d'ensemble à l'épargne à l'intérieur du revenu national et donc le taux d'accroissement de „pleine capacité", que le budget gouvernemental soit équilibré ou non. Donc une structure plus ou moins progressive des transferts d'impôts affectant z_1, z_2, r_1 et r_2 combinée avec des droits plus ou moins progressifs sur les successions, affectant d et (1 — d), détermineraient G_k pour tout taux donnée de la formation du capital relativement à G_n et ainsi l'évolution dynamique de l'accroissement séculaire. Enfin, on discute brièvement les possibilités fiscales d'influencer le taux de la formation du capital.

La section dernière et de conclusion comprend quelques observations typiques, notamment, le caractère souhaitable ou non de l'analyse des éléments des dépenses publiques (p. ex. dépenses de bienfaisance et de guerre) de manière à distinguer leurs effets productifs de l'effet multiplicateur, la possibilité d'influencer le taux d'accroissement de la population et donc G_n au lieu d'utiliser uniquement G_k, et la possibilité de traiter exportations et importations comme une partie d'une politique fiscale plus vaste à long terme. L'article se termine par la réserve que les possibilités économiques de la politique fiscale restent encore à concilier avec ses limitations politiques.

THE "BURDENS" OF GOVERNMENT FINANCE

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Recent discussions of the effects of taxation under general equilibrium conditions have greatly improved the analysis of 'burden' as related to government finance. In particular they have stressed the complications arising when all commodity and factor markets are treated as variables, in contrast to the traditional treatment of business taxes in a partial-equilibrium setting. [1]) The new analysis reflects both Walrasian and Keynesian general-equilibrium viewpoints. This paper attemptes to clarify the matter by analyzing the concept of burden as used in discussions of government finance.

Any judgment that a government policy entails a burden on someone implies a comparison of two or more conceivable situations. Since there are usually many conceivable alternative situations, there are usually several ways of looking at the burden in any given case. This paper will indicate how the results may differ greatly because of differences in the choice of the alternatives to be compared. In particular, the burden as perceived by individual taxpayers may appear significantly different from that seen from the viewpoint of the community as a whole.

Burdens Perceived by the Individual Taxpayer

If a government policy is to be considered burdensome to an individual, it is because it makes him worse off in some sense. He may be worse off than he was before — an intertemporal comparison complicated by the difficulty of determining why conditions change from one time to another. He may be worse off under a certain tax than he would be without the tax — and without any government services which might depend on the tax for their

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[1]) See especially R. A. Musgrave, "General Equilibrium Aspects of Incidence Theory," *Papers and Proceeding of the American Economic Association,* May, 1953, and discussion by Earl Rolph and Richard Goode. See also Musgrave, "On Incidence," *Journal of Political Economy,* LXI (1953); John F. Due, "Toward a General Theory of Sales Tax Incidence," *Quarterly Journal of Economics,* LXVII (1953); Richard Slitor, "The Role of Corporate Income Taxation," *National Tax Journal,* VII (1954).

existence. He may be worse off under one tax than under another, government expenditures unchanged. He may be worse off under taxation than if the same government expenditure were financed by a deficit. Many other variations can be imagined. Much controversy over tax incidence has resulted from different choices of bases of comparison.

Analysis is further complicated by the problem of deciding what we mean by 'worse off', and how to measure this condition. Usually changes in the individual's economic welfare are inferred from his money income and the price level of the things he might spend it on. When we attempt to consider current savings and the value of his assets, things get more complicated. Is an individual worse off when the market value of his negotiable bonds falls, if he has no intention of selling them? What allowance should be made for the effect of changing prices of consumer goods on the purchasing power of assets? We shall not attempt to deal with these and other difficulties involved in the utility concept, particularly the question of interpersonal comparisons.[2])

Instead we shall assume for illustrative purposes that an index of changes in an individual's economic welfare is furnished by taking the real value of his consumption and current saving, as reflected in the money value of consumption (C) and saving (S) deflated by the price level (P). This might be written $\frac{C+S}{P}$. For logical completeness, we should add another term (G) to represent any utility the individual might derive directly from government services.[4])

Les us start with an individual in an equilibrium positon defined as follows:

$$(1) \qquad \frac{C_1 + S_1}{P_1} + G_1.$$

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[2]) See David Walker, "The Direct-Indirect Tax Problem: Fifteen Years of Controversy," *Public Finance*, X (1955), 156—7.

[3]) Which price level should be used is another question not examined further. For the problem of how to deflate saving figures, see Musgrave, "On Incidence," pp. 319—20.

[4]) G would not include benefits which take the form of higher income or lower prices, as from transfer payments or government services to business, but only intangible benefits accruing directly to individuals from parks, highways, defense, etc. I would not wish to imply that these benefits are measurable even conceptually. The great difficulty is that individuals are incapable of evaluating the benefits of some government services since they cannot imagine what the situation would be without them.

We want to compare this situation with that which would exist after the imposition of an additional tax which is used as the basis for an expansion of government services.[5]) The combination of tax and expenditure will probably have some effect on prices and perhaps on the income of the individual-particularly if the expansionary effect of the increase in government expenditures does not exactly equal the deflationary effect of the tax. He may also receive some direct utility from the increase in govermnent services.

However, these changes in prices, in his income, and in utility derived from government services are not, from the individual's viewpoint, the result of his own increased tax liability. His tax payment is not the *quid pro quo* paid to acquire an equivalent in value. Any benefits which accrue to him through higher real income would accrue whether or not he as an individual paid any more tax-provided everyone else pays it. Although these indirect effects on incomes and prices occur simultaneously with the direct change in the individual's tax liability, they can be separated conceptually. This is useful because of the different way they appear to the individual taxpayer.

Let us take first the indirect effects of the new tax and expenditure program. We include here all the effects on the individual's income and prices, including any multiplier effects of fiscal policy, and any increase in utility derived from government services, assuming that all of these have worked themselves out completely.[6]) (We could also look at the situation at any point on the path to equilibrium). But no allowance is made yet for the increased tax liability of the particular individual under scrutiny.[7]) This case may be represented as follows:

$$(2) \qquad \frac{C_2 + S_2}{P_2} + G_2.$$

Now we can bring in the direct effect, which is simply the reduction in the individual's consumption and/or current saving which results from the increase in his tax liability (T):

$$(3) \qquad \frac{C_3 + S_3}{P_2} + G_2 \qquad (C_3 + S_3 = C_2 + S_2 - T).$$

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[5]) This does not mean that all the additional tax revenue is used for the expansion of government services, but merely that if such an expansion occurs, contingent on the tax increase, it should be taken into account.

[6]) We are assuming that no income changes result from changes in the willingness of the individual to work which might be induced by the tax. Such changes are not likely to be significant in normal situations, at least in the short run. On this problem, see Walker, *op. cit.*, pp. 159—164.

[7]) A commodity tax which manifested itself in a price increase would be shown as a price change.

Let us compare these three situations. It should be clear that the total effect on our individual resulting from the change in taxes and government expenditure is indicated by the difference in his welfare between (1) and (3). He may be either better off or worse off in (3) than in (1), depending on how he is affected by changes in income, prices, government services, and his own tax liability.

But from the individual's point of view, things may not look this way. Incomes and prices change all the time, and most people do not associate these changes with such causal factors as altered government finance. So the individual may look only at the second part of the change to decide the burden of the government program. From his point of view, only the change from (2) to (3) can clearly be associated with the tax. This is logical for the individual, for if he were absolved of his added tax liability by shifting it to someone else, or by evasion, this would restore him to (2), not (1). Thus the individual is likely to regard any financial program involving increased taxation as an unquestioned burden. Conversely, whenever proposals for tax reduction are under discussion, individuals will expect to realize a clear-cut gain from reductions, equal to T/P_2, even when in fact such a reduction might cause inflationary pressures or reduced government benefits which would affect many individuals adversely. Such an attitude has certainly played an important part in recent discussions of tax reduction, and bears a close resemblance to much of the thinking on the 'evils' of inflation.

Thus, while a comparison of (1) and (3) may show an individual to have either gained or lost, a comparison of (2) and (3) will always show him to be unequivocally worse off in the latter situation. If we were to add up the total increase in everyone's tax liability, valued at price level P_2, we would have an idea of the total loss in utility which the members of the community may feel thay have suffered by the tax. Obviously this reflects a delusion; the total burden on the community must be estimated by comparing (1) and (3). If the government program is well chosen, the loss of utility from consumption and saving should be offset by increased utility from the government. [8])

One individual could move from (3) to (2) by getting rid of his increased tax liability, but the community as a whole cannot do

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[8]) This would not be the case if the government made expenditures the benefits of which will only appear in the future. Financing such programs by current taxes may make the members of the community perceive a net burden, since the present value of the expected future services does not appear on any individual's balance sheet as an asset. This suggests why public opinion may favor financing such programs by borrowing. The reverse situation is discussed below.

this. Some individuals must pay the tax if it is to be paid. Earlier discussions of tax incidence frequently implied comparisons where the individual or firm was freed of tax without any of the other necessary financial changes taking place.

Aggregate Burdens

All this discussion has been in terms of what we might call the 'psychological' burden of the government program — the reduction in utility, real or imagined. It should be noted that the size of this burden, if calculated from the viewpoint of the individual taxpayers [$\Sigma(3—2)$], bears no relation to changes in the volume and composition of the total production of the community. The psychological burden from the community viewpoint [$\Sigma(3—1)$] comes closer to real magnitudes. If utility were proportional to consumption, saving, and government purchases, then a connection could be made. But in practice neither total savings nor total government expenditure can be assumed to yield proportional utility. Let us isolate the government services involved by assuming that their utility has been ascertained through the political process, and that the problem is to decide whether the increased utility of the government service will be greater than the loss of utility involved in its financing.

It might be argued that current saving does not actually contribute to the individual's material standard of living, and does not use up scarce productive resources, and therefore one might legitimately concentrate on changes in current consumption as the best index of the burdens of government finance.[9]) This would amount to looking at the consumption item of the gross national product account, corrected for changes in prices. Leaving aside changes in the interpersonal distribution of a given output of consumption goods, we will find that changes in the total output of consumption goods may result either from change in the total national production, or a change in its composition (or a combination of both). These changes might result from any sort of government financial policies, not merely those involving taxes. Thus one would find government finance reducing aggregate consumption if a deflationary fiscal policy were followed which lowered total output-for instance, an increase in taxes with no change in expenditures. Note that in this case the total reduction in consumption may be considerably larger than the increase in the government's tax collections, reflecting the multiplier effect of the government surplus. Government finance might reduce

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[9]) Compare the tendency of full-employment enthusiasts a decade ago to regard taxes as socially burdenless to the extent they fell on savings.

consumption by diverting a larger share of resources directly into government use, but it might also cause an increase in the proportion of private output going into capital formation, perhaps in a case where taxes on consumption goods were used to finance debt retirement. A final possibility is that the allocation of resources may be distorted by government finance so as to yield a smaller amount of consumption utility with unchanged factor inputs. This would not register statistically, however. The 'excess burden' of commodity taxes would be such a case. If taxation were to impair the incentives to work and thus lower productivity, that would also fall within this classification.[10])

But restricting our use of 'burden' to reductions in current consumption is too narrow. If increased use of resources by the government occurs entirely at the expense of private investment, there is no immediate burden on consumers. But unless the government engages in productive capital formation (or other productive activities), the future productivity of the economy will be less than if the resources had been privately invested. At some future date, this will probably mean less consumption than would have otherwise been possible. Thus, even from the standpoint of national consumption, there is a burden, although it is in the future.[11]) Conceptually, the present value of this future burden is represented by the reduced volume of present investment. Thus we should extend our concept of objective burden to embrace any reduction of the total of the community's consumption plus investment.

We can say, then, that the burden as perceived reflects a reduction in the real value of the consumption and current saving of individuals, while the burden as measured objectively for the community reflects a reduction in the real value of consumption and investment. As we have shown, the burden as perceived for individuals separately tends to overstate the total because each may view the situation in terms of an alternative which is not available to all individuals collectively. (Shall we call this a 'fallacy of decomposition?') In addition, the subjective burden on consumption and saving will

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10) This actually reflects a shift to leisure, a product which does not appear in the statistics. On the analogy between this and the distorting effects of commodity taxes, see Walker, *op. cit.*, pp. 159—164.

Musgrave provides three classifications of economic effects similar to those here. He uses 'resource transfer' to refer to increased government use of resources out of a fixed total output, 'incidence' to designate a change in the interpersonal distribution of a given private output, and 'output' effect to signify changes in total production. See "On Incidence," p. 306.

11) See Musgrave, "General Equilibrium Aspects of Incidence Theory," p. 515.

probably diverge from the objective burden on consumption plus investment. This might occur if saving and investment are unequal, presumably reflecting an unbalanced government budget. More generally, however, they will diverge because the 'saving' involved in the individual's calculation is *personal* saving, not total saving. Changes in corporate saving (except for closely-held firms) will not enter into individual's calculations in the same manner. At best, a reduction in corporate saving might slow the rate of increase in the value of securities or in expected dividends, and be perceived by some individuals as an actual reduction in their incomes and saving. But this could hardly be very precise. Thus a tax which falls primarily on corporate saving will be 'underperceived' by a large margin.

Burdens of Public Debt and Government Borrowing

Our analysis of subjective and objective burdens helps to clarify the often-misunderstood matter of the burdens related to the public debt. If the government borrows funds which otherwise would have gone into private investment, and uses them to buy goods and services, there is no burden on the lenders, since their consumption and saving are unchanged and there is not likely to be any change in prices. [12]) Everyone in the community stands to share in the benefits of the government's use of resources — the benefits are independent of the method of financing. Total production of consumption goods is unchanged.

The burden shows up objectively when we look at total capital formation, which has been reduced. This will mean a reduction in consumption at some future time, since the productivity of the economy will be less than it would have been (assuming that the goverment's new program does not provide an offsetting increase). What we have here is nothing but the old argument that government borrowing might shift to future generations the burdens of paying for government expenditures. If we mean the burdens as perceived by the individuals involved, this is clearly true in this case. The reduction in private consumption does not occur now, but in the future, and there is no current loss in utility to individuals. Of course, the actual transfer of resources to government use occurs now, and thus in the objective sense, the burden is current, not deferred — the sum of real private consumption and investment is

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[12]) Assume the terms of the government bonds are about the same as those of alternative private investments and that factors of production released by the fall in investment are sufficient to provide the output taken by the government.

reduced. We might call this the 'classical' case of deficit spending.[13])

When we examine this case, where deficit spending is used to provide current collective services at the expense of private investment, we can see why classical economists might have worried about it. For it is a case which may make everyone think he is better (or no worse) off. The community gains the government service without loss of current consumption; the bondholders are no worse off than if they had bought private securities. But future taxes may have to be increased to pay the interest, and future real consumption may suffer from the reduction in current capital formation. These do not appear as liabilities in the calculations of individuals, so a distortion may be introduced into the preference pattern.

Ordinarily, of course, government deficit expenditure for goods and services increases total demand for current output. If the supply of output is not infinitely elastic, then the deficit expenditure is burdensome in both an objective and (to some individuals) a subjective sense. Individuals' real incomes are reduced by price increases, and the sum of real consumption and investment falls.

Examining these two cases of deficit spending also throws light on the question of the burdens of existing public debt. It is frequently argued that the existence of a public debt necessarily involves a redistribution of income from taxpayers to bondholders. It is apparent that debt service involves a flow of cash from taxpayers to bondholders. But to consider this a 'redistribution' implies a comparison with some alternative situation, and there are several which could be used. If the debt, once incurred, were to be repudiated, then the cash flow would stop. Therefore servicing the debt involves a 'redistribution' of income by comparison to that which would exist after repudiation. But what is usually meant is that the government's acts of borrowing funds, spending them, and servicing the debt, taken together, alter the distribution of income.

In the 'classical' case, where the money lent to the government all comes out of private investment, no redistribution of income occurs, if the interest paid by the government is about the same as that which would have been paid on the alternative private

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13) "National loans of every kind are attended with the universal disadvantage of withdrawing capital from productive employment, and diverting it into the channel of barren consumption..." J.-B. Say, *Treatise on Political Economy* (4th ed., Prinsep translation), pp. 477—82, at 479. See also Adam Smith, *Wealth of Nations* (Cannan ed.), II, 409—13; David Ricardo, *Principles of Political Economy and Taxation* (Sraffa ed.), pp. 243—47. The reader is invited to analyze for himself the case where the government borrows funds which otherwise would have gone into consumption.

securities. The bondholders' incomes are not changed. But the taxpayers have the obligation of paying interest and ultimately principal of the debt. Are they not worse off for this? As a group, they are not. The amount of tax required to repay the debt principal is the same as would have been required at the start if the expenditure had been financed by taxation. The taxes required for interest are the price of postponing that payment — but no taxpayer need postpone his payment, since he can always lend the money to the government earlier and thus save the interest charge. The interest he will receive will cover the amount by which his tax would be increased by waiting until the later date.

This reasoning is defective in treating the taxpayers as a homogeneous group whose composition does not change. In fact the individuals composing the group are not the same from one period to another, and the distribution of tax liability among them changes. But although postponing the tax burden may also redistribute it among taxpayers, this is independent of the relation between taxpayers and bondholders. The taxpayers need suffer no loss; if they pay more tax, it is because they postpone the payment of principal, which act remains optional for them.

However, there is another element in the situation. Since private investment is reduced, consumption output will be curtailed some time in the future. Who would have received this extra output if it had been permitted to exist? Part of it would have paid the interest on the private securities which would have financed the investment if the money had not been diverted to the government. It would have gone to the people who are instead receiving interest from the government. We must not double-count this part of the burden. But since the yield of the capital goods would probably have been higher than the interest paid, this would have left additional income to be paid to entrepreneurs, owners of productive factors, or to be shared with consumers through reduced prices. The fact that these increases in real income do not occur constitutes one burden of the government's deficit spending. The bondholder shares in this burden independently of his status as bondholder. There may be redistribution, but it is not from taxpayers from bondholders.

When we relax our assumption that the money lent to the government all comes at the expense of private capital formation, we can find a redistribution of income. For in this case bondholders are lending to the government cash which would otherwise have remained idle (or has been newly created). Thus their money incomes are increased by the interest they receive. Who pays for this? It depends on what the alternative is conceived to be. If the

government were to issue new money instead of borrowing idle cash from others, the taxpayers would have no burden of principal or interest. As compared to this alternative, borrowing which entails increased taxes to pay interest does lead to a redistribution from taxpayer to bondholder. But if the alternative to borrowing idle funds is current taxation, we are brought back to our earlier situation — the taxpayer is not made worse off merely because interest is charged for postponing the tax, since he can always pay the tax earlier by lending to the government. Who bears the burden, then, if the government chooses to borrow idle cash rather than tax? Since the borrowing will be more inflationary, there will be many consumers whose real incomes are reduced by price increases. It is these who are the victims of the redistribution in this case. Since the bondholders may also be among the chief victims of inflation, much of the redistribution may cancel out.

Since the greater portion of our existing federal debt arose out of the borrowing of cash newly created or previously idle, it is probably correct to assert that it has caused redistribution of incomes. However, the original distribution cannot be restored by paying off the debt. Redistribution arises out of the circumstances under which the debt is incurred; if borrowing were used merely as a rational method of diverting resources from private to government use, there would be no redistribution.

Use of 'non-deflationary' borrowing can be criticized on another ground. We saw earlier that the community is likely to be unduly prejudiced against the use of current tax money to finance government programs which yield benefits in the future. Rationally, there might be a case for financing all investment-type programs by borrowing. But this ceases to be rational if the borrowing does not inhibit private spending sufficiently to prevent undesired inflation.

Relation to Conventional Incidence Theories

The old conventional conception of incidence (restricted in some cases to 'price effects') has been generally discarded or used in connection with an analysis of broader 'effects' in such a way that a better estimate of 'burdens' emerges. Nevertheless the old theory has left numerous misconceptions not entirely dispelled by more recent development. One of the most important is that the 'burden' of a tax increase is equal to the dollar change in tax collections. When we examine the question in a general-equilibrium setting, it becomes clear that this is seldom the case. If no increase in government spending offsets the deflationary effect of the tax, the burden may be several times as large as the increase in revenue. This situation also indicates the limitation on the conventional conclusion

that the burden of an increase in personal income taxes would rest on the taxpayer, since he would ordinarily be unable to alter the terms on which he buys and sells, and thus could not 'pass the tax on' to anyone else. But when we interpret 'burden' to mean loss of real income, it is clear that the taxpayer passes part of the burden on by reducing his consumption and perhaps his purchases of assets. Factor incomes are reduced, consumption falls further, and the total burden of the deflationary tax is spread through the familiar multiplier process.[14])

It is possible, on the other hand, to find cases where a tax increase may impose a burden that is less than the amount collected, even if there is no increase in government expenditures — a tax on idle cash during a depression, or a tariff under certain conditions. If such a tax is accompanied by increased government expenditure, there may be no net aggregate burden even if the government expenditures yield no utility in their own right, since private real incomes may be raised.[15])

Even where the deflationary effects of the tax are offset by the expansionary effects of government expenditures, there will be distributional effects which may be of interest. If the taxpayers are a group distinct from the people who receive the government payments, we will find a multiplier contraction of incomes starting from the taxpayers, and a multiple expansion starting from the income recipients. Usually it is assumed that these will start to cancel out after a couple of rounds, and that even if they do not, the process does not significantly affect the distribution of income by size groups. However, there may be cases where the distributional effects are important — as for example, with geographic groupings.

This paper and those discussed in it represent attempts to integrate the old theory of incidence, which was an attempt to make welfare analyses of government finance, with the modern theory of the effect of government fiscal policy on incomes and employment. A mere listing of alternative methods of looking at the burdens and benefits of government finance does not, however, tell us which is appropriate to a given problem. In particular, there is

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[14]) Musgrave calls this a case of "absolute incidence." "General Equilibrium Aspects of Incidence Theory," pp. 506—7.

[15]) This is related to, but not identical with, the "balanced-budget theorem," which proves that an equal increase in taxes and government purchases will raise the gross national product by the amount of the increase. Such an increase is a net gain for the community only if the government purchases yield some utility.

danger that the integration of theories of incidence and of fiscal policy may only confuse the result.[16])

Goode and the Burdens of the Corporation Tax

Such a confusion appears in Richard Goode's recent investigation of the corporation profits tax.[17]) His discussion of the effects of the tax on aggregate demand, money income, and employment obscures rather than clarifies the effort to analyze the burdens unique to this tax.

Goode attempts to refute the claim that corporation tax, by reducing investment, may be shifted forward to consumers. He argues that if investment is reduced, national money income will fall and prices will probably be reduced. Since in his opinion forward shifting occurs only through increases in money prices, he feels that he has disproved its existence.

His argument does not refute directly the usual analysis which assumes that the economy operates continually at relatively full employment.[18]) Under that assumption, reduced investment will reduce the economy's productive capacity, which will reduce the output available in the future. Most of this reduction, to be sure, comes at the expense of the investors who would have received returns on the capital goods which went unproduced. But part of it will come at the expense of consumers in general and perhaps owners of other factors of production also.

Goode's analysis is misleading even on his own analytical grounds, for he fails to evaluate the behavior of real incomes in the situation he described. Consumers are injured by the tax even in his case, to the extent that their incomes fall more than product prices — although this might be dismissed as affecting consumers in their role as income receivers rather than as consumers.

Goode's analysis does bring out a neglected point, however. Some economists have argued that the burdens of alternative taxes should be compared by examining the effects of collecting a given sum of money from one or from another, government expenditures

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[16]) See John Lintner, "Effects of a Shifted Corporate Income Tax on Real Investment," *National Tax Journal,* VIII (1955), pp. 231—33.

[17]) *The Corporation Income Tax,* (New York: John Wiley, 1951), pp. 44—72.

[18]) See Musgrave, "General Equilibrium Aspects of Incidence Theory," pp. 506—7. Criticisms of Goode's analysis of this point appear in J. Fred Weston, "Incidence and Effects of the Corporate Income Tax," *National Tax Journal,* VI (1949), pp. 314—15; Richard Slitor, "The Corporate Income Tax, A Re-evaluation," *ibid.,* V (1952), 306. Goode implies that the corporate tax would be more deflationary than the alternatives.

remaining unchanged.[19]) Goode's analysis here and elsewhere[20]) shows that this assumption is not sufficient to eliminate variations in the flow of total expenditure, since different taxes will ordinarily exert different degrees of restraint on spending by consumers and business. This difference is important, but it may get in the way if one is interested primarily in the distributive effects. If one wishes to keep aggregate demand constant and study only 'differential incidence', in Musgrave's terminology, one should examine the effects of raising by alternative taxes not the same amount of money, but sufficient money so that the reduction of private spending is the same in each case.

In any event, the importance of considering the effects of taxes on incomes and output is clear. If two taxes of equal revenue are compared, the effects on total demand will probably be different. If the effects on demand are to be held the same, then the revenue yield, and thus the direct money liability of taxpayers, must be different. Policy questions will generally require appraisal of both distributional effects and changes in income and output levels. For issues in this form — shall one specific tax or another be increased (decreased) a certain amount to make (eliminate) a certain expenditure? — the broader approach is clearly relevant.[21])

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[19]) See Lintner, *loc. cit.*

[20]) Richard Goode, "Anti-Inflationary Implications of Alternative Forms of Taxation", *A.E.A. Papers,* May, 1952.

[21]) See comments on this integration in the *A.E.A. Papers,* 1953, by Musgrave (p. 507), Rolph (p. 539), and Goode (p. 541); also Due, "A General Sales Tax and the Level of Employment: A Reconsideration," *National Tax Journal* II (1949), 129, and Weston, *loc. cit.*

LES „CHARGES" DES FINANCES PUBLIQUES GOUVERNEMENTALES

par le Professeur PAUL B. TRESCOTT

RÉSUMÉ

Quand on constate qu'un impôt, ou quelqu'autre programme financier d'un gouvernement entraîne une charge, il arrive qu'on pense que les individus sont lésés, en faisant des comparaisons avec quelque situation différente. Comme il existe d'habitude plusieurs autres possibilités, il faut procéder avec prudence de façon à écarter toute ambiguïté. Pour apprécier les effets d'un impôt donné sur un individu, on peut comparer sa situation à celle qu'il aurait vis-à-vis d'une autre taxe, les dépenses publiques restant inchangées, ou à celle qu'il aurait en l'absence d'impôt et de certaines dépenses publiques, ou en cas d'une dépense publique financée par l'mprunt (ou par émission de monnaie), etc....

Comme le terme „lésé" est très vague, nous adopterons un index simplifié des changements dans le bien-être économique, tels qu'ils sont ressentis par les individus touchés, à savoir: les changements du revenu monétaire individuel disponible, abstraction faite des variations des prix, en tenant compte d'une correction pour les avantages résultant directement des services rendus par l'autorité publique. Cet index peut être employé (théoriquement) pour apprécier tout programme impliquant une combinaison d'impôts, de dépenses d'emprunt, d'émission monétaire, etc.... Il reflète fidèlement les changements par rapport au niveau général des revenus monétaires avant l'introduction de l'impôt, les variations de la production et des prix et les variations du revenu disponible résultant du paiement même du nouvel impôt. En effet, l'appréciation de la politique fiscale d'un gouvernement revient à l'analyse plus classique des altérations de la distribution d'un revenu donné.

La présente analyse montre comment les individus peuvent avoir tendance à ressentir sur de fausses bases le poids de leur assujettissement à l'impôt. L'individu tend à comparer sa situation sous l'emprise d'un impôt à celle où il se trouverait libéré de son assujettissement à l'impôt, mais sans que les autres le soient. Il néglige le fait que l'abaissement d'un impôt pour chacun ira de pair avec des modifications dans les revenus et les prix et peut-être aussi

dans le niveau des services rendus par l'État. Il importe donc de ne comparer les différentes hypothèses que par la manière dont elles agissent sur la communauté prise dans son entier.

Au point de vue communautaire, on peut considérer les changements dans la consommation réelle globale comme une première approximation d'un index objectif du bien-être économique. Après tout, l'épargne courante ne procure pas aux individus d'utilité directe au même titre que le fait la consommation et elle ne demande pas l'emploi de ressources économiques restreintes. Mais une diminution de l'investissement réel rourant implique une charge pour l'économie, au sens objectif sinon psychologique, car elle diminue la productivité potentielle de l'économie, même si la production courante de moyens de consommation demeure inchangée.

De semblabes conceptions des charges sont utiles dans l'analyse des „charges" de la dette publique et de l'emprunt public. On peut montrer que si le gouvernement emprunte et dépense des fonds qui autrement auraient contribué à la formation du capital privé à des taux de rendement comparable, la „charge" au sens psychologique est reportée sur l'avenir (si on lève des taxes ultérieurement pour rembourser la dette). Mais la formation courante du capital est diminuée de sorte qu'objectivement une charge courante est imposée à l'économie. Des emprunts de cette sorte n'entraînent pas de redistribution du revenu entre contribuables et porteurs de titres. Les contribuables sont en effet autorisés à retarder leurs paiements d'impôts, mais doivent payer plus pour couvrir l'intéret. Ils peuvent éviter ceci s'ils le veulent, en achetant des fonds publics.

Quand les fonds proviennent d'emprunts publics, qui sont sans utilisation (ou nouvellement créés), l'incidence des charges dépendra de la manière dont la production et les prix répondront à la pression accentuée sur la dépense totale. Les détenteurs de fonds publics jouiront de revenus monétaires accrus, aux dépens de la population qui subira des prix plus élevés. Cependant comme les porteurs de fonds publics se trouveront dans ce deuxième groupe, les charges et les bénéfices seront partiellement compensés.

Richard Goode s'est efforcé d'utiliser cette approximation générale des charges de l'impôt, en traitant les revenus, la production et les prix comme des variables, dans son livre „The Corporation Income Tax" pp. 44—72. Il s'efforce de réfuter l'argument que si l'impôt réduit l'investissement, ce sera partiellement au détriment du consommateur. Il tire argument de ce que l'investissement diminué abaissera les revenus et les prix, tandis que les répercussions sur le consommateur ne peuvent se produire que si les prix mon-

tent. Cette analyse est défectueuse en ce qu'elle néglige de considérer au-delà de la variation des prix monétaires, les changement des revenus réels. Nombre d'économistes préfèrent analyser l'incidence sur l'hypothèse du plein emploi maintenu. Dans ce cas, une diminution d'investissement peut entraîner, dans l'avenir, une production diminuée, partiellement aux dépens des investisseurs taxés, mais partiellement aussi aux dépens du consommateur. Des impôts différents ont cependant des effets différents sur la dépense totale. Donc, en comparant deux impôts de même rendement, on peut viser des situations qui comportent des niveaux différents de revenu total. La reconnaissance implicite par Goode de ce problème, doit être prise en considération, même si dans le détail son analyse contient des lacunes.

THE EFFECTS OF TAXATION ON BUSINESS

This is a study which was undertaken by the Graduate School of Business Administration of Harvard University and was published in seven volumes from 1950 to 1953.

The whole project is a fact-finding investigation intended to present a realistic appraisal of the actual effects of taxation on certain aspects of businesses.

In presenting an evaluation of all books as a whole I believe that I must not be bound by the chronological order of their publication. I find it more expendient to divide the study into two parts and line up the books according to their internal relationship.

The first part, embracing all books concerned with various direct effects of taxation on business operations, is comprised of the following six books:

Effects of Taxation on Corporate Financial Policies.
Effects of Taxation on Corporate Mergers.
Effects of Taxation on Executives.
Effects of Taxation on Executive Compensation and Retirement Plans.
Effects of Taxation on Depreciation Adjustments for Price Changes, and
Effects of Taxation on Inventory Accounting.

The second part is concerned with the repercussions of taxation on the ability and willingness of private individuals to supply equity capital. The last book of the series titled "Effects of Taxation on Investments by Individuals" is the subject of this part.

The method which is being followed throughout the study is the empirical analysis. All volumes emphasize empirical rather than theoretical inquiry. The reason for this is that the theoretical aspects of the effects of taxation on business and on he economy as a whole have been explored much more intensively than have the empirical ones.

Effects of Taxation on Corporate Financial Policies

This volume written by D. T. Smith, Professor of Finance at Harvard University, appeared fifth in the series.

The study is divided into two parts; the first part deals with widely owned corporations. The second part has as its subject the closely controlled corporations. The distinction has much significance as being the basis for major differences in points of view and financial policy. In the first group conflicts of interests are inevitable and they, therefore, complicate the problem of appraising the consequences of taxation. The owners of the second group think of their corporate interests in highly personal manner.

The effect of taxation on widely owned corporations depends to a certain extent upon the particular form that their financing takes. Corporation financing is usually being made by debt or preferred stock, by new common stock or by retained earnings. Taxation is progressively effective when we move from the first case of debt financing to the last one of financing the corporation by retained earnings.

The effects of taxation on closely controlled Corporations can be estimated and compared fairly easily. The simplicity is derived from the fact that only a small group of investors is concerned and the enterprise is thought of as a venture in which each has his individual share of a joint activity.

The following topics are discussed and the influence of taxation in relation to them is analyzed.

Form of organization.
Capital structure of new corporations.
Growth through retention of earnings.
Sales or withdrawals of part interest without liquidation or merger.

The attractiveness of a corporate or partnership form of business as regards taxation depends on the:

Size and regularity of income of the company.
Size of the other incomes of the owners and the extent to which business income is to be retained in the company.

Capital structures can be used to create tax advantages in closely controlled corporations. The existing tax law is not restrictive of such ventures. This makes investment in such corporations extremely attractive to high bracket investors.

The advantage for retained earnings in closely controlled corporations is obvious. The existing tax law permits such retention when there is no element of abuse. This, unquestionably, serves to avoid or postpone the individual income tax component of the double tax by not distributing earnings.

There are many devices which can be used and are being used in cases of sales of part interests. A recapitalization is frequently undertaken to provide a complex capital structure which will give to the selling party a favorable tax treatment.

Effects of Taxation on Corporate Mergers

This study was written by Professors J. Butters, J. Lintner and W. Cary.

Corporate Mergers can be influenced by taxation in one or two ways:

Taxation may be a major factor in inducing the sellers to sell and the buyers to buy.

It may also influence the form of a transaction once a decision has been reached by the contracting parties.

The present book deals primarily with the first of these two aspects. Its scope is somewhat restricted, furthermore, by dealing only with closely held corporations.

It has been charged that taxation exercises perverse influence in forcing the sale of many well established and successful companies which are owned by a single family. That sale will take usually the form of a business merger which will affect the competitive structure and the degree of industrial concentration in the American economy. These critics are aware of the fact that the high degree of industrial concentration which characterizes the American economy stems from the two waves of mergers which had as a result the formation of the Standard Oil Trust and later on of the United States Steel Corporation.

The tax structure, the authors say, definitely exerts strong pressure on the owners of many closely held businesses to sell out or to merge with other larger companies.

The reasons are twofold.

A closely held business may be sold out to lessen the impact of the estate tax, and

The sale may be made to enable the owners of closely held business to take their profits out of the business by the capital gains route rather than to have them distributed as dividends.

As to the importance of tax motivations for sale of business enterprise the authors found that many non-tax reasons for sale are so urgent that the sales would have been made without the further prodding of tax pressures. Other nontax reasons for selling, however, are much less impelling and would not lead to definite action by themselves. As for the importance of tax motivation for the purchase of businesses it can be said with a degree of certainty that taxes are of no practical consequence.

As a general rule the recent merger activity in industry and mining has not substantially altered the basic competitive structure of industry in the United States. One big exemption can be found in the case of liquors and textiles. Furthermore, the initiative for recent mergers has come more from the owners of the selling companies than from the buyers. This can be stated as a proof that the recent mergers have not been characterized by a desire to restrict competition.

The great majority of mergers take the form of a purchase of

the sellers' assets or stock with the means of payment being either cash or stock or both of the buying company. The problems which are involved here are manifold. However, for the sake of generalization it can be said that the seller will benefit taxwise by selling his stock whereas the purchaser will benefit by acquiring the assets of the selling company.

Effects of Taxation on Executives

Producers have been subject to severe criticism and many times have been hated by their fellow-men. Emerson very appropriately wrote that "those who are most dear to men are not of the class which the economists call producers". Preferred to these, he goes on to say, are poets and philosophers.

However, the management of today has taken a more social view of its business activities. The alienation of business management from the ownership of business had, therefore, its beneficial effects.

It has been argued that taxation results in checking the initiative and the incentives of people for working and producing more. Progressive income tax rates tend to take out the greater portion of the income of an executive. Against this trend many devices have been invented to compensate the executives and stimulate their working capabilities. Stock options, bonuses, retirement benefits and expense accounts, are some of these devices. The book at hand deals, more precisely, with the influence of taxation on executives as it affects their choice of activities, the intensity and duration of their active business careers, their retirement, and their efforts to achieve personal financial success.

The whole study is divided into three parts:

Part one deals with taxation and executive effort.
Part two is devoted to executive compensation.
Part three covers the executive investments.

The author found that the extent to which business executives have reduced their work and effort as a result of taxes has been much exaggerated. There has been relatively little visible withholding of effort in the day-to-day activities of the business. Many reasons have been cited to show why effort has been sustained in spite of taxation. Nonfinancial incentives to work and compulsions of administrative organizations are the most important. Among small business owners, however, a certain amount of work is being withheld because of taxes.

The high income tax rates tend to force compensation of executives to higher levels in order to have them maintain a high net income. Working on the opposite direction is the competition among the other factors of production for higher income. The result has

been a general increase in executive compensation rates. The efforts, however, of companies to compensate their executives through direct salary increases have failed so far on account of high income tax rates. Therefore, the several companies employed several other devices to increase indirectly executives compensation. Such devices are discussed in another volume of this project which deals with "Executive Compensation and Retirement Plans".

Today, the owner-manager group has been replaced by the professional management class which depends for its subsistence upon a kind of salary compensation. It is, therefore, natural for them to look for more security in their investment.

Effects of Taxation on Executive Compensation and Retirement Plans

This is the third volume of the general study of the effects of taxation on business and it is written by Prof. C. A. Hall of Yale University.

What are the effects of taxation on corporations' policies regarding executive compensation? This is one of the two major topics of this study. The other question with which the book deals is what is the reaction of the executives to the various forms of tax-influenced compensation plans currently used.

The study has five main objectives:

What are the most common executive compensation plans?

What is the growth of deferred-type plans?

The reasons for the increase deferred-type plans.

What are the effects of the growth of deferred-type compensation plans upon the employer company?

What are the effects of the same compensation plans on the economy as a whole?

The conclusions which the authors reached are based upon both field interviews and published information. A total of 87 interviews were taken among executives of 56 different firms.

(a) The most common deferred-type compensation plans from the tax standpoint are:

Deferred distribution bonus plans;

Deferred distribution profit-sharing plans;

Retirement plans;

Deferred compensation plans;

Individual plans.

A distinction is made between qualified and nonqualified compensation plans. The qualification or nonqualification is from the standpoint of taxation (Section 165a of the Internal Revenue Code).

(b) There are four types of deferred compensation plans which increased in use from 1935—1947 among large nonfinancial corporations. These are:
Deferred compensation;
nonqualified bonus;
qualified retirement, and
qualified profit sharing.

(c) The reasons for the growth of deferred type compensation plans are given by several corporations as:
Increased personal and corporate taxation;
increased competitive pressures in competing for executives;
increased profits, and
wage and salary stabilization in order to reduce the discrepancy in earnings between hourly paid employees and executives which are salary-paid.

(d) A definite conclusion is not possible from the gathered data as regards the effect of these compensation plans upon the employer company. However, it is safe to observe that the qualified retirement and profit-sharing plans of large companies do not produce unreasonable discrimination in favor of officers, shareholder employees, supervisory employees, or highly compensated employees.

(e) Each compensation plan produces a number of effects on the whole economy.
Qualified retirement plans increase the output of goods and services;
qualified profit-sharing plans produce effects on output, prices, and savings, with a stress on output;
deferred compensation plans reduce the output of goods and services if they are used to their present limited extent. However, if they are used extensively tend to increase the output of goods and services. Similar to the above effects have the nonqualified bonus plans.

Effects of Taxation on Depreciation Adjustments for Price Changes

This is the sixth volume in the general study of the effects of taxation on business. It is written by Prof. E. C. Brown and deals with the problem of making proper adjustment for the gap between historical-costs and replacement-costs of capital assets in measuring depreciation and business income. The problem has a particular significance during periods of rising prices.

Depreciation is a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property . . . which may be deducted from gross income.

The problem which arises is what is the proper base from which to measure the depreciation charge. In this respect there are two methods for measuring depreciation. The historic-cost depreciation method and the replacement-cost depreciation. The latter method was introduced during the post war years for the first time by the U.S. Steel Corporation in 1947. Following are the main conclusions which are more or less based on theoretical considerations.

The monetary value of inventories of the plant and the equipment is increased when prices rise. The same is not true for the accounts receivable, bonds, and other financial assets which are fixed in money terms.

The problem which arises in periods of rising prices is connected with the estimation of the true money profit which the businesses realize after allowance for depreciation. If they follow the historic-cost depreciation accounting method, the reported profits do not represent the true situation of the business because of the inclusion in the profit of an increment in monetary value of the fixed assets of the business.

On the other hand, there is the replacement-cost method of accounting which calculates depreciation at its replacement cost and not at the cost of the purchase of the asset.

It is estimated that in the post-war period the excess of replacement-cost depreciation over historic-cost depreciation for corporations has been between one and four billion dollars. Some industries are affected more by the method of depreciation than others are. i.e. Public Utilities, using large amounts of fixed capital, would be affected greatly by the method of depreciation.

The findings of the author as regard the current practice of businesses can be summarized as follows:

Some of the firms moved in the direction of true current-cost depreciation. However, this movement has not be encouraged by the accountants and the regulatory bodies. Generally speaking, the practice has not been uniform. Moreover, the methods which have been adopted seem to be arbitrary. The readjustment has been made for varied reasons among businesses. Some firms readjusted depreciation to accumulate funds for the future replacement of assets. Others, were amortizing excess present costs against excess present revenues.

Is the present tax system fair in its treatment of the depreciation allowance or should be made fairer by permitting greater adjustments?

In the author's opinion the differences in real net worth that arise in periods of inflation should be recognized for tax purposes.

The consequences on the American Economy of such readjust-

ments are projected upon long-term growth of the economy and upon the economic fluctuations.

The long-run effects of replacement-cost depreciation depends largely on the prospects facing the American Economy in the future. If the future offers an inflationary price level, replacement-cost depreciation would probably increase the fraction of national income going into capital formation.

The general conclusion of the author is that historic-cost depreciation is more desirable than replacement-cost depreciation for tax determination. In his view "tax equity should be based on differences in real income. Replacement-cost depreciation ignores these differences by providing a special exemption for certain taxpayers". His analysis of the effects of the two methods on the stability of economic activity points to a slight favoring of historic-cost depreciation. From the long run view point, historic-cost depreciation in a period of inflation is likely to result in a smaller amount of capital formation than would replacement-cost depreciation.

Effects of Taxation on Inventory Accounting

The present volume written by Prof. J. K. Butters, is the first study of the series. The theoretical as well as the empirical method are employed to the project at hand. Federal taxation has been a major factor influencing inventory accounting procedures in many industries since the last-in first-out method, LIFO, was authorized in 1938.

The method of inventory estimation is particularly important in periods of fluctuating prices. The LIFO method of accounting means that valuation of inventory goods which are sold or used up in manufacturing is made according to the prices of the last acquired goods and not to the prices of the first ones. This has particular significance in periods of inflation; LIFO valuation will show a smaller profit when prices are rising and a larger profit when prices are falling.

The book is divided into two parts. The first part, which I consider the most important, is dealing with the various methods of inventory accounting. The second part examines some technical problems having to do with inventories.

The first part of the book attemps to answer the following questions:

Importance of Inventory Profits,
What business is doing about them,
Economic Significance of different Inventory Methods,
Inventory aspects of general concepts of profits.

To the above questions the author gives some convincing answers

based on theory as well as on the empirical study of the problem.

Statistics show that inventory profits and losses are very large in years of rapid price changes.

To the second question the author found from interviews with management officials that the most powerful motivation leading to the widespread use of LIFO during the past decade has been the opportunity to reduce tax liabilities.

The question which arises now is whether the several inventory methods of accounting promote a greater degree of stability in the economy as a whole.

The answer to this is not conclusive. The treatment of this topic is more or less theoretical. The author has not been able to give a definite answer based on the collected material.

Several criteria have frequently been used in deciding how inventories should be valued in measuring business profits. From the four main methods the author gives preference to the one in which sales and cost prices are stated in terms of the current price level. This method is preferable for an additional reason. viz. for the proper measurement of the national income which would be obscured by the element of price inflation or deflation which would be introduced by valuing beginning and ending inventories at different price levels.

Effects of Taxation on Investments by Individuals

This volume constitutes the final book in the series. It is written by Professors J. Butters, L. Thomson, and L. Bollinger. The analysis consists of an effort to answer three main questions:

(1) Whose investment decisions are important.

(2) How have taxes affected the investment capacity of these groups of investors.

(3) How have taxes affected their investment policies.

The investigation conducted by the authors reveals that the investment decisions of individuals in the upper income and wealthy classes are of overwhelming importance. They estimate that the stock holdings of the top income and wealth groups measured cumulatively are as follows:

Individuals with incomes of $ 50.000 and over hold about 35 % of all marketable stocks owned by private investors;

Individuals with incomes of $ 25.000 and over hold about half of all stocks;

Those with incomes of $ 15.000 and over hold about 65 % of all stocks;

Spending units of $ 10.000 and over hold about 75 % of all stocks.

The study indicates that there is a general disinclination of the

lower nine-tenths of the population to invest in business equities. They prefer to keep their assets in some sort of liquidity form.

The findings of this survey do not differ basicaly from those of L. H. Kimmel of the Brookings Institution (1952) who estimates that as many as 4,750.000 family spending units and 6,490,000 individuals in the U.S. own shares in publicly owned stocks.

To the question of how have taxes affected the investment capacity of individuals the authors conclude that the changes in the tax structure over the past 15 to 20 years have substantially reduced the capacity of upper bracket individuals to accumulate new investable funds. However, their remaining capacity is still very large. The prevailing belief that the severe tax increases of recent years have wiped out the capacity of individuals with large incomes to save is not substantiated by the facts.

The third question occupies the greater part of the book. An appraisal is made of the general investment objectives of individuals and of their attitudes toward specific types of investments such as marketable common stock, new issues, new ventures, family business, tax exempt bonds, and life insurance. The empirical findings of the authors are summarized as follows: The tax structure cut substantially into the investment capacity of the upper income and wealth classes and decreased also the willingness of these investors in the aggregate to make equity type investments. However, the combined impact of these effects fell far short of drying up the supply of equity capital which private investors were willing and able to make available to business.

Some Concluding Comments

The present study as a whole has not been subjected, as far as I know, to a critical review by any of the English language Economic Periodicals. Only scattered comments in praise of some of the books appeared in leading English and American Economic Magazines. However, an appraisal of the entire project as a unity may lead us to different conclusions as to its merits from those that the piece-meal reviews have presented.

A critical analysis of the voluminous study shows that the project fell short of the ambitious expectations of its sponsors. There has not been a complete and thorough examination of all aspects of the effects of taxation on business as the title of the study implies. The effects of Federal Taxation on specific aspects of business should be a more appropriate title for the project. The selection of topics has been more or less arbitrary and without an attempt to present the most important aspects of the problem. Prof. D. T. Smith, one of the principal architects of the project, admits that the

most notable omission is the failure to analyze the effects of taxation on the timing and amounts of capital investment by business. The other disappointment which the students of Public Finance have felt is the scanty evidence there presented. Although the scope of the project has been to present a realistic appraisal of the actual effects of taxation on business and not a theoretical argument some of the authors indulge in theoretical analysis being apparently unable to reach conclusions on the basis of the empirical material they had in hand. Therefore, the actual effects of taxation on some aspects of business continue to remain to a great extent a "terra incognita".

The book which deals with the effects of taxation on corporate financial policy is primarily analytical in form and its conclusions are reached by the deductive method. The author attemps to show what businessmen are expected to do in response to the effects of taxes upon their costs. The second part of the book which deals with the financial policies of closely owned corporations is much superior to the first as far as the construction and presentation of material is concerned. The subject of the first part is, unquestionably, extremely complex and this is a drawback which is not easy to overcome.

The effect of taxation on corporate mergers is not clear. The authors found that in almost all cases examined the combination of factors leading to mergers was such as to make it very difficult to isolate the tax factors and its influence upon business decisions. Such considerations as inability to find replacements for competent management, consolidation with a larger firm possesing specialized personnel and other considerations are among the factors which drive some firms into mergers.

The presentation of the effects of taxation on depreciation adjustments for price changes is purely theoretical in approach placing less emphasis upon the empirical aspect. This is a serious shortcoming and the author himself confesses that his findings are inconclusive whenever he deals with actual cases. If the study, however, is judged on its own theoretical level it will be found to be a well constructed analytical treatise.

What is the impact upon businesses of the tax law which since 1938 permits them to use the LIFO method of inventory accounting? The author found that many large companies and especially meat packing, textiles, paper, petroleum, iron, steel and nonferrous metals, are using LIFO for the purpose of reducing tax liability. However, the study shows that the more LIFO is used the less reliable the balance sheet becomes since inventory values reflect prices of some period back and not those of today as the author would prefer.

The effects of taxes on the incentives of individuals to invest is a well constructed book based both on theory and empirical material. The authors utilize extensively the data which were collected by the "Survey Research Center of the University of Michigan" and by their own interviewers. The voluminous material, however, did not support their point of view all the time. Many of their conclusions are not founded upon the material which in some cases drives them nowhere. The authors, however, merit to be praised for the straightforwardness with which present their material and conclusions.

The whole study might not add much to our knowledge of business behavior in response to taxation; its contribution toward this direction, however, must not be overlooked. Two points must be stressed in conclusion. The whole project was conducted under the realm of the existing at that time Revenue Act. Moreover, the prevailing favorable general economic conditions had, undoubtedly, a definite influence upon the conclusions. Both these factors must be taken under consideration.

JOHN ZERVAS,
New York.

Handbuch der Finanzwissenschaft, Vol. I and II, Verlag J. C. B. Mohr (Paul Siebeck), Tübingen

In the literature on the theory of public finance the *Handbuch der Finanzwissenschaft* has always occupied an important place. And rightly so, for it supplied excellent, well-documented information about every branch of this science.

However, the work was very much out of date. For, since it was first published in 1926, a world war had upset various standards of value, new theories had emerged and new practices had found application. In view of all this it was almost inevitable that the well-known handbook, if it was to retain its value, should be reprinted. It was not difficult to predict, however, that bringing the handbook up to date would be a very comprehensive task. Not only would it mean a complete reorientation of the matters to be dealt with, but suitable contributors would have to be found in the various countries, one of the merits of the *Handbuch* being that it is based on international cooperation. To realize the latter shortly after the second world war was by no means easy. That nevertheless the new edition came into being may therefore be regarded as a specimen of initiative and courage, displayed both by the revisers, professors Gerloff and Neumark, and by the publisher, J. B. Mohr.

With an interval of four years two volumes of the second edition have now appeared. The first, which saw the light in 1952, can be

distinguished into two parts: one historical and one doctrinal part. As in the previous edition, the practice of beginning with the history has been abandoned. Yet, it is certainly not an established fact that this division is correct. As a matter of fact, those who consider a historical review as a record of the evolution of the subject under study will prefer a division in which the history precedes the doctrine.

A very important thing is that the place of the science of public finance with respect to the other social sciences is determined. This is done at once in the first chapter, entitled „Wesen und Aufgabe der Finanzwissenschaft, Ihre Stellung und Beziehungen zu andern Wissenschaften". The nature and the task of the science of public finance are dealt with mainly in the first sub-chapter, by one of the revisers, prof. Gerloff, retired professor in the University of Frankfurt a/Main (who died after the appearance of the first volume). Then are treated in succession the science of public finance and sociology by prof. Sultan, the legal forms of public finance by prof. Blumenstein, Bern, and public finance and statistics by prof. Bickel, Zürich. These three contributions are important mainly in that they describe the assimilation of certain branches of the other social sciences into the science of public finance, so that, for instance, under the influence of sociology a "Finanzsoziologie" came into being, and statistics called into existence financial statistics. The sections referred to do not so much discuss the actual relationship. The opposite is true of the contributions of prof. Ugo Papi, Rome, and prof. Groszmann, Vevey, who write, respectively, about the relations between finance and economics and the relations between finance and monetary value.

The historical part is divided into two: the history of public accounts and the history of the science of public finance. The former subject is dealt with in chapter II, which contains seven sections, in which experts from various European countries outline the development in their countries. The history of the science of public finance, which is discussed in chapter III, is also studied from the point of view of various States.

The national domestic economy is dealt with in chapter IV. The relationship between financial science, the economic plan and the national budget is discussed bij prof. Colm, Washington, while prof. Tinbergen, Rotterdam (not *Am*sterdam, as stated by mistake) and Dr. Stuvel together wrote an article on the national budget. This volume is concluded with two studies by prof. Neumark and one by Dr. Heinig.

The second volume of the new edition appeared in 1956 and begins with a contribution of prof. Masoin, Louvain, on public

expenditure, its importance, its productivity and its position in the national economy. The rest of chapter V largely concerns all sorts of problems relating to civil servants' salaries in various countries and it ends with a contribution from Dr. Heinig about expenditure for non-personal purposes.

Quite a different branch of the science of public finance is broached in chapter VI, namely the revenue of public bodies. It is especially the chapters which then follow that make the second volume of the handbook a 'must' for all economically oriented fiscalists with more than a mere practical interest. Chapter VII discusses retributions and "Beiträge" (which word can hardly be translated); chapter VIII taxation. It is regrettable that no attention is paid to the levy with a specific intention, an intresting form of finance, which is quite important nowadays. This is all the more surprising because it was in Germany that this form was put forward and the first serious attempts were made to identify it and determine its position (Mann, Bräuer, Vogel and others).

With a handbook as the one under review it need hardly be said that the various chapters deal with their subjects very thoroughly. In addition to the *general* theory of taxation, subchapter A, there is the *special* theory of taxation in subchapter B. The tax systems, the shifting of taxes and their repercussions, the practice of taxation, all these familiar subjects are discussed, respectively, by prof. Schmölders, Cologne, prof. Welinder, Lund and prof. Gerloff. The eighth chapter ends with a study on tax control by prof. Grabower, Munich.

It goes without saying that in the sub-chapter on the special theory of taxation the various types of taxes are discussed. Taxes on proceeds, income and profits, increment value duties, capital taxes, death duties and outlay taxes are all reviewed. In addition to an investigation into their nature, in each case their relative usefulness is considered. Finally, taxes on motoring and on consumption and import duties are discussed.

The closing piece of the second volume is the contribution from prof. Bickel, Zürich, who wrote a treatise on the financial relation between public bodies.

Summarizing, it may be said that a rejuvenated and renewed *Handbuch der Finanzwissenschaft* calls for our attention. In view of the goodwill that this work has always enjoyed a further recommendation seems unnecessary. We owe a word of praise and thanks to the reviser and to the publisher and we wish them success in the continuation of their difficult task!

J. A. MONOD DE FROIDEVILLE

ESSAI DE DETERMINATION DE L'ACTION DES DEPENSES PUBLIQUES SUR LA CONJONCTURE[1])

par FRANÇOIS VISINE
Paris

„La vie économique est une adaptation perpétuelle des méthodes de production et d'échange à des circonstances constamment changeantes. Ce sont ces circonstances qui dominent l'histoire du monde et non pas les méthodes d'adaptation économique utilisées à chaque moment et qui ne peuvent guère changer. L'espèce de prépondérance que, dans certains pays, on prétend donner à des théories économiques est l'expression d'un simplisme intellectuel qui veut à toute force trouver une solution à tous les problèmes."

Charles Rist Notice biographique
cf.: Revue d'Economie Politique 1955, p. 1045.

1. Ces quelques phrases de Charles Rist qui constituent en fait le couronnement de la pensée et du jugement d'un professeur éminent et d'un conseiller et praticien des plus avertis des Sciences Economique et Financière, ont une portée considérable dans le cadre de la modeste recherche que nous nous étions assigné d'entreprendre. L'action des dépenses publiques sur la conjoncture économique dépend-elle des „circonstances" et uniquement d'elles ou bien cette action est-elle soumise à quelque loi générale contenue dans une ou plusieurs théories? Sans vouloir répondre à priori à cette double question, on doit souligner qu'il existe de nombreuses théories d'explication de l'incidence des finances publiques sur l'activité économique[2]). On doit aussi relever qu'un autre professeur

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[1]) *Note de l'éditeur:* Les opinions exprimées par l'auteur lui sont personnelles et ne reflètent pas nécessairement les vues de l'Organisation Internationale où il est employé. Cet article constitue une recherche complémentaire à deux précédentes études sur des sujets voisins.

cf. 1° *la signification des statistiques de dépenses publiques:* Nouvelle Revue de l'Economie Contemporaine. Mai 1954 N° 53 p. 3 à 14;

cf. 2° *la signification des statistiques fiscales et leur utilisation:* Finances Publiques N° 1. 1955 p. 7 à 82.

[2]) cf. notamment les ouvrages de H. Laufenburger: théorie économique et psychologique des Finances Publiques. Paris Sirey 1956; M. Masoin: théorie économique des Finances Publiques. Bruxelles 1946; H. M. Somers: Public Finance and National Income. The Blakiston Company 1949. Une énumération de tous les ouvrages et de tous les articles consacrés à ces problèmes serait longue et probablement incomplète. On trouvera dans une excellente étude de P. Tabatoni l'essentiel des éléments bibliographiques antérieurs à 1954. cf. la rationalité économique des choix financiers dans la doctrine comtemporaine des Finances Publiques. Economie appliquée. Archives ISEA 1955. Tome VIII p. 155 à 284. cf. également H. Guitton: Finances et cycles. Public Finance 1954. N° 1. p. 7—23.

éminent et conseiller et praticien des plus avertis des Sciences Economique et Financière, il s'agit de Lord Keynes, a mis en quelque sorte le point final à son chef d'oeuvre en écrivant que: „ce sont les idées et non les intérêts constitués qui tôt ou tard, sont dangereux pour le bien comme pour le mal" [3]), d'où une raison complémentaire de rechercher si les idées ont un fondement scientifique indiscutable.

2. Ces considérations générales qui en fait se réfèrent à des points finals de deux grands maîtres disparus, invitent d'autant plus à se pencher sur les enseignements de l'histoire et de la statistique. Pour aborder l'examen de *l'action des dépenses publiques sur la conjoncture*, ce qui n'est d'ailleurs qu'une étude très limitée par rapport à l'ensemble des problèmes qui se posent à propos des relations entre les Finances Publiques et l'Economique et le Social, on s'efforcera autant que possible de faire abstraction des „théories économiques" et des „idées". On interrogera les statistiques et à la lumière des enseignements observés, on risquera une tentative d'explication.

I - *Position du problème et méthode statistique:*

3. Essayer de déterminer expérimentalement et à postériori (car c'est la seule méthode possible pour l'économiste) l'ensemble des liaisons qui existent entre les dépenses publiques et l'activité économique est une entreprise qui dépasse nettement les possibilités individuelles de recherche et même collectives pour une double raison:

a: la première raison est qu'on ne dispose pas de données statistiques d'ensemble (de revenu national notamment) pour de nombreux pays sur une longue période. Ainsi, en ce qui concerne les statistiques du revenu national on ne dispose guère qu'aux Etats-Unis d'assez bonnes statistiques comparables couvrant un quart de siècle (période 1929—1955). Pour le Royaume-Uni, on ne dispose de séries statistiques comparables que depuis une dizaine d'années à peine (1946—1955). Pour la France la période est encore beaucoup plus courte (1949—1955). Or, vouloir tirer quelques conclusions valables d'une analyse statistique qui fait appel aux techniques de corrélation suppose que l'on puisse au moins se référer à une période d'une vingtaine d'années.

b: la seconde raison est qu'on ne dispose pas de statistiques suffisamment détaillées (même sur une courte période) qui permettraient une analyse fouillée à la fois de la conjoncture et de la structure d'une économie. Certes les méthodes du type Léontieff ou leurs dérivées permettront à la longue de disposer d'un arsenal

[3]) Lord Keynes: théorie générale. Edition française Payot, p. 397.

statistique de structure et de conjoncture bien meilleur mais l'exploitation de cet arsenal dépassera sans doute les possibilités d'un chercheur isolé.

4. Pour cette double raison, les pages qui suivront ne concerneront qu'un essai de détermination de l'action des dépenses publiques sur la conjoncture globale. De la conjoncture, on retiendra les deux éléments les plus significatifs: le mouvement du Produit National en prix constants et le mouvement des prix; et pour analyser la liaison entre dépenses publiques et conjoncture, on se réfèrera plus spécialement aux statistiques américaines qui concernent la période 1929 —1953. Aussi les conclusions auxquelles on parviendra ne seront-elles que relatives pour une double raison:

a: elles concerneront plus spécialement les Etats-Unis, pays dans lequel notamment les investissements financés sur fonds publics ne jouent qu'un rôle très limité par rapport à l'ensemble des investissements américains;

b: elles concerneront plus spécialement la liaison globale dépenses publiques — prix et dépenses publiques — revenu national.

5. C'est sous le bénéfice de ces précisions que nous entreprendrons cette recherche. Lorsqu'on parle des liaisons entre dépenses publiques et prix et dépenses publiques et revenu national, on se trouve généralement en présence de deux „théories" ou „idées" contradictoires.

a: d'après une première théorie, dénommée plus spécialement sous l'étiquette libérale, un „excès" de dépenses publiques et une croissance de ces dépenses conduit inexorablement à l'inflation, à la hausse des prix. En substance, et d'une façon très incomplète d'ailleurs, le raisonnement est le suivant: si les dépenses publiques augmentent, le demande publique augmente, alors que l'offre se maintient ou diminue parce que le financement de ces dépenses avec des techniques notamment de progressivité fiscale pénalise la production en pénalisant l'esprit d'initiative. D'autres ajoutent (cf. thèse de Colin Clark) que la croissance du prélèvement fiscal entraînée par la croissance des dépenses publiques est par elle-même inflationniste dès qu'un certain plafond est dépassé.

b: d'après une théorie opposée, dénommée plus spécialement sous l'étiquette Keynésienne, la croissance des dépenses publiques peut être un élément très salutaire car elle entraîne une augmentation plus rapide de la production par suite du jeu du mécanisme bien connu du multiplicateur. Ce n'est que lorsque

le plein emploi est atteint et que l'économie est devenue rigide que le multiplicateur se bloque et que l'inflation peut apparaître. Et très souvent d'ailleurs, certains partisans de cette théorie ne sont pas opposés à une légère inflation accompagnée d'une croissance plus importante [4]).

6. Sans essayer de prendre position pour l'instant sur l'une ou l'autre de ces théories, il apparaît qu'un problème préliminaire doit être examiné. Ce problème concerne l'existence ou non d'une corrélation entre le mouvement des prix et le mouvement du produit national. Si une telle corrélation existait, cela signifierait qu'inflation et prospérité vont de pair et que déflation et dépression vont également de pair. Il en résulterait que si on souhaite la croissance économique, la prospérité, on devrait accepter l'inflation comme un mal nécessaire. Il en résulterait aussi dans le cadre de cette recherche que pour analyser la liaison dépenses publiques — conjoncture, il suffirait d'étudier une seule liaison, soit celle dépenses publiques — prix, soit celle dépenses publiques — revenu national.

En se référant aux statistiques françaises pour une période infra-courte (cf. ci-après Annexe I, colonne 9 et 11), il semble que cette corrélation soit un fait évident [5]). L'indice de corrélation tendancielle est égal à l'unité. Toutefois l'indice de corrélation différentielle, qui mesure le rythme de croissance ou de décroissance n'atteint que +0,60, car de 1950 à 1951, alors que le rythme de croissance des prix fléchit, celui du produit national en prix constants 1952 s'accèlère. Certes un indice de corrélation différentielle égal à +0,60 est un indice élevé mais on peut difficilement retenir comme règle une observation qui se réfère à une période infra-

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[4]) cf. par exemple. P. A. Samuelson: L'Economique Tome I. Traduction Gaël Fain p. 194: „En période d'inflation modérée, les rouages de l'économie productive sont bien huilés et la production totale augmente" ou encore p. 194—195: „si les hausses des prix pouvaient être contenues dans une limité inférieure à, disons, 5 % l'an, nous n'aurions pas lieu de nous inquiéter grandement d'un tel régime permanent d'inflation modérée".

[5]) Pour effectuer ces calculs de corrélation, il est indispensable de se référer à un indice à base mobile (changement de base chaque année) car un indice à base fixe accumule les incidences de phénomènes extérieurs. D'autre part il est hautement souhaitable de compléter une recherche de corrélation tendancielle (qui chiffre une orientation, une tendance) par une recherche de corrélation différentielle (qui chiffre le rythme de croissance ou de décroissance de l'orientation). Pour chiffrer les corrélations, on se sert de la méthode de Fechner. Sur ces problèmes de méthode cf. notamment nos précédents développements dans:

1° la transmission des fluctuations économiques par le commerce extérieur. Armand Colin 1953 p. 12 à 16 et p. 22 à 30.

2° la signification des statistiques fiscales et leur utilisation. Public finance. N° 1. 1955 p. 28 et 29.

courte. Si on se réfère aux statistiques américaines pour une période assez longue (1929—1953) [cf. ci-après Annexe II tableau II], on obtient des résultats sensiblement différents. L'indice de corrélation tendancielle prix et produit national en prix constants atteint +0,50 [6]) et l'indice de corrélation différentielle tombe à +0,166.

Si on pousse l'analyse de ces corrélations en se référant aux périodes d'augmentation des prix et de diminution des prix, l'indice de corrélation différentielle fléchit même jusqu'à +0,0769 ce qui est bien faible. Le tableau ci-après donne le détail de cette analyse.

CORRELATION TENDANCIELLE ET DIFFERENTIELLE DE L'EVOLUTION DES PRIX ET DE L'EVOLUTION DU PRODUIT NATIONAL BRUT EN PRIX CONSTANTS 1947 (ETATS-UNIS)

Périodes	Corrélation de l'évolution des prix et de l'évolution du Produt National Brut en prix constants 1947. (Etats-Unis); période: 1929—1953	
	Corrélation tendancielle	Corrélation différentielle
1929—1953	$+0{,}50\ \frac{(18—6)}{24}$	$+0{,}166\ \frac{(14—10)}{24}$
1. Augmentation tendancielle des prix: 17 années: (a)	$+0{,}529\ \frac{(13—4)}{17}$	
2. Augmentation différentielle des prix: 13 années (b)		$+0{,}0769\ \frac{(7—6)}{13}$
3. Diminution tendancielle des prix: 7 années (c)	$+0{,}428\ \frac{(5—2)}{7}$	
4. Diminution différentielle des prix: 11 années (d)		$+0{,}272\ \frac{(7—4)}{11}$

(a) 17 années: 1934, 1936—37, 1940—53

(b) 13 années: 1952—34, 1936, 1939—42, 1945—47, 1950—51

(c) 7 années: 1930—33, 1935, 1938—39

(d) 11 années: 1930—31, 1935, 1937—38, 1943—44, 1948—49, 1952—53

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[6]) Ce qui signifie qu'il y a corrélation dans 3 cas sur 4, ce qui n'est pas tout à fait négligeable. On a en effet: 0,50: $\frac{3—1}{4}$

Ce tableau signifie qu'à certains moments les prix montent alors que le produit national en prix constants fléchit ou réciproquement. Ainsi par exemple en 1935 et 1939 les prix fléchissent alors que le produit national en prix constants 1947 augmente; par contre en 1945, 46, 47 et 49 les prix augmentent alors que le produit national en prix constants 1947 fléchit. Et si par exemple en 1945 et 1947 on n'a pas pu parler de récession, c'est qu'en réalité le mouvement inflationniste des prix était supérieur à la récession économique réelle. [cf. Annexe II. Tableau II colonnes 4 et 6]. Si on passe du plan des observations des mouvements tendanciels au plan des observations des mouvements différentiels, on constate que les distorsions des rythmes de croissance ou de décroissance des prix et du produit national en prix constants sont nombreuses (10 cas sur 24 observations). Par exemple de 1930 à 31, le rythme de décroissance des prix s'accélère, alors que celui du produit national en prix constants se ralentit; de 1931 à 1932 on constate le phénomène inverse, c'est la décroissance du produit national en prix constants qui s'accélère. Si on se réfère à une période de prospérité et d'inflation, de 1941 à 1942, le rythme de croissance des prix s'accélère, celui du produit national se ralentit; de 1950 à 1951, on observe le même phénomène, mais de 1952 à 1953 un phénomène inverse, c'est le rythme de croissance du produit national qui s'accélère.

7. L'ensemble de ces observations permet de conclure que *la corrélation entre inflation — prospérité et déflation — dépression est loin d'être un absolu. Une inflation peut s'accompagner de dépression réelle* (ainsi en 1945—46 et 47 aux Etats-Unis) *et une déflation peut s'accompagner de prospérité réelle* (ainsi en 1935 et 1939 aux Etats-Unis). Cette conclusion semble d'autant plus exacte d'ailleurs qu'une inflation ou déflation ou prospérité ou dépression approchée en termes globaux ne signifie pas obligatoirement que tous les secteurs de l'économie sont en même temps en expansion ou en récession ou que tous les prix montent ou fléchissent en même temps. Par exemple actuellement dans l'économie américaine, certains secteurs (dont automobile) sont en dépression, alors que de nombreux autres sont en expansion, et s'il y a expansion globale, c'est que la sommation des flux en état d'expansion est supérieure à celle des flux en état de récession.

8. Cette conclusion préliminaire a une double portée. D'une part, elle tend à signifier que les théories qui assimilent expansion à inflation et dépression à déflation sont un peu par trop sommaires et dans une certaine mesure excessives. D'autre part, elle impose que toute recherche des liaisons entre dépenses publiques et conjoncture

— même si cette recherche statistique ne reste cantonnée que sur les sommets de l'approche globale, macroéconomique — doit en réalité être au minimum une double recherche: une recherche des liaisons dépenses publiques et prix et une recherche des liaisons dépenses publiques et revenu national. Il est d'ailleurs intéressant de souligner que cette double recherche qui s'impose, rejoint les deux préoccupations plus ou moins fondamentalement opposées des „théories" ou „idées" (cf. supra para. 5).

9. Pour aborder la liaison dépenses publiques — prix et dépenses publiques — produit national, il semble que la double méthode de corrélation tendancielle et différentielle s'impose. Mais un autre problème se pose. Pour analyser la corrélation dépenses publiques — prix et dépenses publiques — produit national, doit-on se servir des dépenses publiques en prix courants, en prix constants ou d'un autre critère. Bien entendu, si on se sert des statistiques de dépenses publiques en prix courants, comme les prix influent sur toute dépense (publique ou non), il ne faut pas s'étonner si on pouvait éventuellement obtenir une corrélation dépenses publiques prix courants et prix assez élevée. Mais la signification exacte de la corrélation serait un peu faussée. De même, si on se sert des statistiques de dépenses publiques en prix constants, dans la mesure où la croissance économique justifie par exemple que les fonctionnaires soient appelés à bénéficier d'une partie de cette croissance — ce qui est normal et souhaitable —, il ne faut pas s'étonner si on pouvait éventuellement obtenir une corrélation dépenses publiques prix constants et produit national prix constants assez élevée. Mais la signification exacte de la corrélation serait sans doute encore un peu faussée. En fait, poser ce problème de méthode, c'est poser celui de la signification des statistiques de dépenses publiques [7]).

En fait, du point de vue économique, les dépenses publiques pendant une période donnée représentent la fraction, la quote part de la Dépense Domestique Nationale qui a sa source dans un engagement ou une décision des Pouvoirs Publics. Cette fraction, cette quote part a une signification plus importante que le volume brut des dépenses publiques. On peut en effet parfaitement concevoir une augmentation du volume brut des dépenses publiques sans extension de la part des pouvoirs publics dans la demande nationale. Il suffit de supposer que l'expansion des dépenses publiques suive le rythme de croissance de la consommation nationale, laquelle dépend essentiellement de la production nationale, donc de l'acti-

[7]) cf. à ce sujet notamment notre recherche: la signification des statistiques de dépenses publiques. Nouvelle revue de l'économie contemporaine. Mai 1954 p. 3—14.

vité économique, et accessoirement du volume des tranferts nets reçus de l'extérieur. En effet, là où l'expansion économique se poursuit rapidement, le volume des biens remis à la disposition des différents groupes de consommateurs (donc aussi des Pouvoirs Publics) augmente; il est alors possible pour les Pouvoirs Publics d'augmenter parallèlement les dépenses publiques qui couvrent leur champ d'activité (notamment d'augmenter les traitements des fonctionnaires) sans étendre ce champ d'activité, sans étendre leur rôle. Chiffrer en termes globaux l'importance (et l'évolution de cette importance) des Pouvoirs Publics dans la Nation, approcher la vocation administrative, économique et sociale des Pouvoirs Publics et suivre l'évolution de cette vocation, revient en fait à chiffrer les composantes de fractions ayant pour dénominateur commun la Dépense Domestique Nationale et pour numérateur les dépenses publiques (dépenses globales et si possible par catégories: administratives — de transferts non productifs — de transferts productifs...). Si on se place par exemple du côté de la demande, le véritable train de vie de la Nation, c'est le véritable „gâteau utilisé", c'est bien la Dépense Domestique Nationale, la demande globale intérieure (des particuliers, des entreprises et des Pouvoirs Public) qui peut être supérieure ou inférieure à la production nationale selon que le pays s'endette sur le plan international ou utilise des dons extérieurs (exemple Plan Marshall) [demande supérieure], ou selon que le pays s'enrichit sur le plan international (balance commerciale favorable) [demande inférieure]. Si on recherche une liaison active entre dépenses publiques et prix et dépenses publiques et produit national, le quotient des dépenses publiques à la Demande Domestique Nationale a une signification bien plus grande que les dépenses publiques en prix courants (car ces dernières sont influencées par les prix — même si elles les influencent) et que les dépenses publiques en prix constants (car ces dernières sont influencées par la prospérité ou la dépression — même si elles les influencent). Pour éliminer au maximum l'incidence prix et l'incidence activté économique sur les dépenses publiques et pour saisir au maximum possible (ou le moins mal possible) l'incidence des dépenses publiques sur les prix et l'activité économique, il est donc indispensable de se servir d'une technique de corrélation qui lie entre eux

a. le rapport des dépenses publiques à la Demande Domestique Nationale
b. et le mouvement des prix et le mouvement de l'activité économique.

10. En fait, pour étudier la double corrélation tendancielle et différentielle dépenses publiques — prix et dépenses publiques —

produit national (ce dernier étant en prix constants, car il est la meilleure mesure de l'activité économique globale réelle), on aura recours à une triple approche:

a: approche de la corrélation du quotient des dépenses publiques à la Demande Domestique Nationale. Cette approche devant être considérée comme la plus significative;

b: approche de la corrélation des dépenses publiques en prix constants;

c: et approche de la corrélation des dépenses publiques en prix courants.

Ces deux dernières approches (b) et (c) devront être considérées comme complémentaires à (a).

Enfin pour faciliter l'examen des enseignements contenus dans les corrélations observées (cf. ci-après III: *enseignements contenus dans les corrélations observées)*, trois corrélations supplémentaires seront ajoutées:

d: corrélation dette publique — prix et dette publique — produit national;

e: corrélation circulation monétaire — prix et circulation monétaire — produit national;

f: corrélation crédits à la consommation — prix et corrélation crédits à la consommation — produit national.

Toutes ces corrélations concerneront l'économie américaine des années 1929 à 1953. Toutefois, à certains moments on se réfèrera aux données statistiques de l'économie française des années 1949 à 1954.

II - *Synthèse des corrélations dépenses publiques — prix et dépenses publiques — produit national.*

11. L'ensemble des statistiques qui ont permis d'établir les corrélations que nous estimions souhaitables ont été groupées en Annexes [cf. Annexe I: Informations statistiques France; Annexe II: Informations statistiques Etats-Unis; Annexe III: corrélations obtenues pour les Etats-Unis]. On pourra donc se référer à ces annexes pour l'examen en détail des observations suivantes:

A: *Vue d'ensemble des corrélations* (cf. Annexe III, tableau I à IV).

12. D'une façon très globale, la corrélation dépenses publiques et prix et dépenses publiques et produit national est

a: le plus souvent positive;

b: mais le plus souvent très faible.

Si on se reporte aux tableaux II, III et IV de l'annexe III qui comprennent 72 indices de corrélation (36 indices de corrélation tendancielle et 36 indices de corrélation différentielle), il apparaît que 3 indices sont nuls, 18 sont négatifs et 51 sont positifs, mais sur ces 51 indices positifs, seuls 30 sont égaux ou supérieurs à +0,20. En définitive, dans 3 cas à peine sur 7 il y a seulement début de corrélation positive certaine [8]). Encore convient-il de souligner que sur les 30 indices égaux ou supérieurs à +0,20, 5 seulement concernent la corrélation du quotient des Dépenses Publiques à la Dépense Domestique Nationale avec l'évolution des Prix et avec l'évolution du Produit National Brut en prix constants 1947 (cf. Annexe III Tableau II). Or, à notre avis, ce sont les enseignements de cette corrélation qui sont les plus significatifs. Et bien plus, pour cette corrélation jamais l'indice +0,40 n'est atteint [9]). Le maximum est +0,375 et encore ne concerne-t-il qu'une corrélation tendancielle dans l'hypothèse de croissance du quotient des Dépenses Publiques à la Dépense Domestique Nationale. De tels résultats de corrélation invitent à une extrême prudence. Certes, le plus souvent il y a corrélation positive, mais cette corrélation est le plus souvent très voisine de 0 sauf dans quelques cas exceptionnels. Et ceci est vrai non seulement *pour le corrélation dépenses publiques — prix, mais aussi pour la corrélation dépenses publiques — produit national en prix constants*. Ainsi par exemple pour l'ensemble des années 1929 —1953 la corrélation tendancielle quotient des dépenses publiques à Dépense Domestique Nationale par rapport aux prix et par rapport au produit national *est identique et presqu'égale à 0:* l'indice est égal à +0,083 dans les 2 hypothèses, soit 13 cas de corrélation et 11 cas de non-corrélation (cf. annexe III tableau II Ligne 1).

B: *Corrélations dépenses publiques — prix:*

13. L'étude de la corrélation dépenses publiques — prix qui serait appliquée à la France pour les années 1949—1954 ferait apparaître une corrélation forte. Par exemple la corrélation tendancielle dépenses publiques en prix constants et en prix courants avec les prix est égale à +1; elle est donc absolue. Toutefois, la corrélation

[8]) Pour que l'on puisse parler d'un début corrélation positive certaine, il faut au moins corrélation dans 6 cas sur 10; on a en effet $0{,}20 = \frac{6-4}{10}$
Un coefficient de corrélation de +0,20 est donc très faible.

[9]) Ce qui signifierait corrélation dans 7 cas sur 10 et non-corrélation dans 3 sur 10; on a en effet $0{,}40 = \frac{7-3}{10}$

différentielle est très différente. Si la corrélation différentielle dépenses publiques en prix courants avec les prix est encore positive, l'indice de corrélation n'est que +0,20; par contre, la corrélation différentielle dépenses publiques en prix constants avec les prix est négative et égale à —0,20. Quant à la corrélation du quotient des dépenses publiques à la Demande Domestique Nationale avec les prix, l'indice de corrélation tendancielle tombe à +0,50 et l'indice de corrélation différentielle est encore négatif et égal à —0,20. Donc, même dans le cas d'une observation très sommaire, il apparaît que l'action des dépenses publiques sur les prix (liaison active dépenses publiques — prix) est loin d'être évidente. C'est ce que confirme une étude approfondie concernant les Etats-Unis.

14. Pour essayer de mieux saisir la possibilité d'action des dépenses publiques sur les prix, il a été procédé à diverses combinaisons, dont

a: introduction d'un décalage d'une année des prix par rapport aux dépenses publiques;
b: recherche ne concernant que les années 1934—1953 pour exclure les années de grande dépression;
c: groupement des années de croissance des dépenses publiques (de croissance tendancielle et différentielle) et groupement des années de diminution des dépenses publiques (diminution tendancielle et différentielle).

De ces différentes combinaisons on peut retenir les conclusions suivantes:

1ère conclusion: L'incidence du mouvement des dépenses publiques sur les prix n'est pas évidente et si cette incidence existe, elle n'apparaît qu'être très faible.

Par exemple, à la fois pendant les années 1930 et 1931, les dépenses publiques en prix constants, en prix courants et le quotient des dépenses publiques par rapport à la Demande Domestique Nationale *augmentent* et cependant les prix *fléchissent*. Au total pour les années 1929—1953 les indices de corrélation tendancielle sont faibles: +0,083; +0,166; (+0,083 concernant le quotient des dépenses publiques par rapport à la Demande Domestique Nationale; +0,166 concernant les dépenses publiques en prix constants et courants); quant aux indices de corrélation différentielle ils sont plus faibles et même un est négatif (—0,083; +0,083; +0,166), ce dernier indice (+0,166) concernant les dépenses publiques en prix courants et étant le maximum constaté sur la longue période.

2ème conclusion: Lorsque l'action des dépenses publiques sur les prix se manifeste, cette action s'exerce rapidement.

En introduisant un décalage d'une année des prix, on constate que les indices de corrélation tendent à fléchir (cf. Annexe III tableau II), ce qui tend à signifier que l'action des dépenses publiques, lorsqu'elle s'exerce, elle s'exerce rapidement. Si on se reporte aux tableaux III et IV de l'annexe III, on constate que ce phénomène est confirmé mais uniquement en ce qui concerne la corrélation différentielle.

3ème conclusion: En période de croissance des dépenses publiques, l'action directe des dépenses publiques sur les prix est plus apparente et plus élevée qu'en période de diminution des dépenses publiques. (cf. tableaux II—III et IV de l'annexe III).

Par exemple pour les 16 années d'augmentation tendancielle du quotient des dépenses publiques à la Dépense Domestique Nationale, on obtient un indice de corrélation de +0,375, alors que pour les 8 années de diminution tendancielle de ce même quotient, l'indice est négatif et égal à —0,50.

15. Ces trois conclusions constituent un maximum des observations qui se dégagent des statistiques annexées qui concernent les liaisons dépenses publiques — prix, encore convient-il de les considérer avec quelque réserve. Ainsi, si on ne prend en considération par exemple que la corrélation tendancielle quotient des dépenses publiques à la Dépense Domestique Nationale, il apparaît que dans 11 cas, il y a défaut de corrélation, ce qui est énorme. Par exemple, de 1929 à 1933 et de 1937 à 1938 ce quotient augmente, mais les prix fléchissent; par contre, de 1936 à 1937, de 1939 à 1940, de 1949 à 1950 et surtout de 1944 à 1947 ce quotient diminue et les prix augmentent. La période 1944—47 est à ce sujet très intéressante: les dépenses publiques fléchissent de moitié en chiffres absolus et en chiffres relatifs par rapport à l'activité économique, ce qui est considérable, cependant les prix augmentent de plus de 23 %. A l'opposé, de 1937 à 1938 les dépenses publiques augmentent en chiffres absolus de 12 % et en chiffres relatifs par rapport à l'activité économique de 20 %, cependant les prix fléchissent de plus d'un pour cent. *Si les dépenses publiques peuvent être quelque chose, il est clair qu'elles ne sont pas tout et que leur action peut être facilement plus que contrecarrée par d'autres phénomènes; c'est là à notre avis la conclusion fondamentale.*

C: *Corrélations dépenses publiques — activité économique.*

16. Le meilleur indice de l'activité économique globale est sans doute celui du Produit National Brut en prix constants. Certes, il n'est pas tout, car il est la sommation de flux dont certains peuvent être décroissants, mais il est la moins mauvaise approche d'un rythme global d'expansion ou de récession de l'activité économique d'ensemble. Si on se réfère aux statistiques françaises, on aboutit à des conclusions sensiblement analogues — pour la liaison dépenses publiques — produit national — à celles qui ont été exposées à propos de la liaison dépenses publiques — prix. Les indices de corrélation sont sensiblement les mêmes, toutefois on doit noter qu'il y a des inversions. Par exemple, alors que l'indice de la corrélation différentielle dépenses publiques en prix courants et prix était +0,20, la corrélation différentielle dépenses publiques en prix courants et produit national est négative avec un indice égal à —0,20. Réciproquement, en ce qui concerne les liaisons dépenses publiques prix constants, c'est le contraire que l'on observe. Ceci ne doit pas étonner dans la mesure où un mouvement de prix a une action directe sur la dépense publique en prix courants (alors qu'il ne l'a pas forcément sur l'activité économique — cf. supra para. 6 à 8) et réciproquement, une expansion ou récession économique tendent à entraîner dans leur mouvement celui des dépenses publiques en prix constants.

17. A part cette observation complémentaire, les conclusions du para. 13 qui concernaient une observation sommaire relative aux liaisons dépenses publiques — prix restent valables quant aux liaisons dépenses publiques — activité économique. Ces conclusions sont amplifiées si on se réfère aux statistiques américaines. En appliquant une méthode analogue à celle qui a été employée pour analyser les liaisons dépenses publiques — prix, on aboutit aux conclusions suivantes:

1ère conclusion: l'incidence du mouvement des dépenses publiques sur le produit national n'est pas évidente et si cette incidence existe, elle n'apparaît qu'être faible.

Par exemple de 1936 à 1937, les dépenses publiques en prix courants, en prix constants et le quotient des dépenses publiques à la Dépense Domestique Nationale *diminuent* et cependant le produit national en prix constants *augmente*. De 1937 à 1938, c'est le phénomène inverse qui se produit (augmentation des dépenses publiques, fléchissement du produit national). Au total, l'indice de corrélation tendancielle du quotient des dépenses publiques à la Dépense Do-

mestique Nationale avec le produit national est faible pour l'ensemble des années 1929—1953; il est égal à + 0,083. Cependant les indices de corrélation tendancielle des dépenses publiques en prix constants et courants avec le produit national sont assez élevés: +0,416 (17 cas de corrélation sur 24). Malheureusement les indices de corrélation différentielle sont très faibles (+0,083 et +0,166) et un est négatif: —0,083. En définitive, il semble que la liaison dépenses publiques — produit national ne soit pas évidente mais il y a une probabilité que cette liaison soit plus certaine que la liaison dépenses publiques — prix, d'autant plus d'ailleurs que pour les années 1934—1953 on obtient des indices élevés de corrélation tendancielle (+0,70): cf.: tableaux III et IV Annexe III. Si donc on excluait les années de dépression (1929—1933) et si on ne prenait en considération que les chiffres bruts de dépenses publiques (en prix courants et constants), on pourrait être tenté de dire qu'il y a une liaison certaine dépenses publiques — produit national puisqu'il y a 17 cas de corrélation sur 20 années. Toutefois nous savons que cette corrélation a moins de signification que celle qui concerne le quotient des dépenses publiques à la Dépense Domestique Nationale.

2ème conclusion: Lorsque l'action des dépenses publiques sur le produit national se manifeste, cette action tend à ne pas s'exercer rapidement (c'était le contraire dans l'hypothèse de la liaison dépenses publiques — prix: cf. supra para. 14 — 2ème conclusion...). En introduisant un décalage d'une année du produit national, on constate que les indices de corrélation tendent à augmenter (cf. Annexe III tabl. II pour la corrélation tendancielle des années 1929 —1953 avec décalage et tableaux II et III pour la corrélation différentielle).

3ème conclusion: En période de croissance des dépenses publiques, l'action directe des dépenses publiques sur le produit national est moins apparente et tend à être moins élevée qu'en période de diminution des dépenses publiques (c'était le contraire observé dans l'hypothese de la liaison dépenses publiques — prix). Si on se reporte aux tableaux II—III et IV de l'annexe III et si on compare 2 à 2 les indices dans la même colonne, il apparaît pour 6 comparaisons que dans 5 cas l'indice de corrélation en période d'augmentation des dépenses publiques est inférieur à l'indice de corrélation en période de diminution des dépenses publiques. Ceci tendrait à prouver qu'une diminution des dépenses publiques aurait tendance à entraîner une récession économique plus certainement qu'une croissance des dépenses publiques aurait tendance à entraîner une ex-

pansion économique. On sait par exemple que de 1929 à 1931 les dépenses publiques en prix constants et courants et le quotient des dépenses publiques à la Dépense Domestique Nationale *ont augmenté,* cependant le produit national a constamment fléchi. Par contre, de 1944 à 1947, les dépenses publiques en prix constants et courants et le quotient des dépenses publiques à la Dépense Domestique Nationale *ont fléchi,* le produit national en prix constants *a lui aussi fléchi.* Toutefois, cette liaison directe dépenses publiques et produit national en période de baisse des dépenses publiques ne doit pas être considérée comme un absolu. Par exemple de 1949 à 1950, le quotient des dépenses publiques à la Dépense Domestique Nationale fléchit assez fortement, de plus de 8 %, cependant le produit national en prix constants augmente de près de 10 %.

18. Les trois conclusions qui concernent la liaison dépenses publiques et produit national sont donc comme les conclusions qui concernent la liaison dépenses publiques et prix, toutefois à un moindre degré, frappées de relativité. Ces conclusions ne sont nullement des absolus. *Si les dépenses publiques peuvent être quelque chose dans le rythme de l'activité économique, il est clair qu'elles ne sont pas tout et que leur action peut-être contrecarrée (ou activée d'ailleurs) par d'autres phénomènes;* c'est là encore, à notre avis, la conclusion fondamentale à retenir avant d'essayer de dégager les enseignements contenus dans les corrélations observées.

III - *Enseignements contenus dans les corrélations observées:*

19. L'ensemble des corrélations relevées à propos des liaisons dépenses publiques — prix et dépenses publiques — revenu national en prix constants autorisent, semble-t-il, d'être excessivement prudent lorsqu'on veut situer le rôle des dépenses publiques dans la conjoncture. On doit l'être d'autant plus d'ailleurs que la structure des dépenses publiques américaines (lesquelles concernent plus spécialement des dépenses administratives et de sécurité et peu de dépenses d'investissements) est sensiblement différente de la structure des dépenses publiques de nombreux autres pays, notamment de la France. Par exemple, alors qu'en 1951 les dépenses publiques américaines ne comptaient que 16 % de dépenses économiques et sociales, en France ces mêmes dépenses couvraient 43 % du total des dépenses publiques dont 20 % environ au titre d'investissements publics [10]). Si on avait pu effectuer une étude de corrélation sur une

[10]) cf. à ce sujet notre précédente étude: la signification des statistiques de dépenses publiques. Nouvelle Revue de l'Economie contemporaine 1954 N° 53 cf. plus spécialement pages 11 et 14 à propos de la structure des dépenses publiques américaines et françaises.

longue période concernant la France, peut-être serait-on parvenu à des conclusions statistiques sensiblement différentes de celles que nous avons été obligé de reconnaître dans le cadre de l'économie américaine. Toutefois, même en ne disposant que d'une période infra-courte pour la France, on ne peut pas ne pas être frappé du fait que les dépenses publiques apparaissent clairement comme ne constituant pas le seul facteur d'action sur la conjoncture. Ainsi (cf. Annexe I), alors que de 1952 à 1954, par rapport à 1951—52, le rythme de croissance des dépenses publiques se ralentit, on constate que de 1952 à 1953 les rythmes de croissance du produit national et des prix fléchissent mais que de 1953 à 1954 ces rythmes de croissance s'accélèrent. On peut d'autant plus être frappé de ces phénomènes que, de 1952 à 1954, les investissements publics ont eu constamment tendance à fléchir. Par contre, de 1951 à 1952, par rapport à 1950—51, alors que le rythme des dépenses publiques et surtout celui des investissements publics a eu tendance à s'accélérer, on constate que les rythmes de croissance du produit national en prix constants et des prix ont tendance à fléchir. On a en effet:

Années	Dépenses publiques en milliards de francs (a)			Indices à base mobile (b) dépenses publiques	Indice du quotient des dépenses publiques à D.D.N. (b)	Indice du P.N.B. prix constants (b)	Indice des prix (b)	Indice dépen publiq en pr consta (b)
	Investisse-ments	Con-sommation	Total					
1951	760	3.260	4.020	122,0	97,9	103,7	119,7	102,
1952	1.116	4.346	5.462	135,9	113,8	103,1	116,1	119,
1953	1.113	4.637	5.750	105,8	103,4	102,5	100,2	105,
1954	1.064	4.991	6.055	105,3	100	105,2	100,7	104,

(a) Sources: cf. Annexe I. Comptes de la Nation. Statistiques et Etudes Financières, Janvier 1956.
(b) cf. Annexe I Colonnes 3 — 5 — 9 — 11 — 12.

Ces observations complémentaires prouvent la complexité des enseignements possibles et elles sont intéressantes dans la mesure où elles confirment les conclusions auxquelles nous sommes parvenus en analysant les statistiques américaines.

20. Il semble, sans trop grands risques d'erreurs, que l'on puisse affirmer:

a. *autant il est absurde de vouloir prétendre que les dépenses publiques n'ont aucune action sur la conjoncture*
b. *autant il est absurde de vouloir prétendre que les dépenses publiques peuvent permettre d'expliquer toute la conjoncture.*

En d'autres termes, il nous semble que si les dépenses publiques peuvent agir sur la conjoncture (sur les prix et sur l'activité économique), il nous semble également que l'action des dépenses publiques est contenue dans certaines limites, dont les unes sont propres aux dépenses publiques (à leur structure, à leur financement) — on peut parler de limites endogènes — et dont les autres sont externes aux dépenses publiques (comportement du secteur privé — facteurs monétaires — interventions étatiques extérieures aux dépenses publiques — facteurs psycho-politiques — comportement des transactions internationales, etc....) — on peut parler de limites exogènes. En conséquence, on verra les trois problèmes suivants:

A. *les possibilités d'action des dépenses publiques sur la conjoncture;*
B. *les limites endogènes de l'action des dépenses publiques sur la conjoncture;*
C. *les limites exogènes à l'action des dépenses publiques sur la conjoncture.*

A: *Les possibilités d'action des dépenses publiques sur la conjoncture.*

21. Les dépenses publiques peuvent d'abord être considérées sous l'angle de la demande. Elles constituent une demande de consommation (traitements des fonctionnaires, soldes des militaires, prestations familiales et sociales) ou d'investissement (investissements publics). La distinction entre les deux types de demande n'est d'ailleurs pas toujours facile. Par exemple, les dépenses militaires dans le concept de l'OECE sont considérées comme des dépenses de consommation; or, il est connu que certaines dépenses militaires (notamment dépenses de recherche et certaines dépenses d'infrastructure: dont pipelines, aérodromes mixtes dans certains pays, télécommunications) constituent en fait des dépenses d'investissements assimilables à des investissements civils, investissements qui

seraient nécessaires en l'absence de dépenses militaires. Sans entrer dans le détail de ce problème de distinction des dépenses de consommation et d'investissement [11]), toujours est-il qu'une dépense publique est en elle-même une dépense, elle constitue une demande, demande qui exerce une action sur les prix et sur la production. Si donc on se place dans l'optique keynésienne de la demande effective, on ne peut pas nier qu'une dépense publique est une demande active qui agit directement sur les prix et indirectement sur la production. On peut même aller plus loin en admettant que cette demande agit directement sur la production dans la mesure où certaines entreprises ne produisent que sur commandes (ceci est vrai notamment pour les arsenaux mais sans doute aussi pour de nombreuses entreprises du secteur privé).

22. Ainsi donc, logiquement et théoriquement, admettre l'action des dépenses publiques sur les prix et sur l'activité économique semble parfaitement correct. Certes, dans le cas des Etats-Unis pour les années 1929—1953, on n'obtient pas une corrélation élevée, elle est très faible, cependant on a observé que l'action des dépenses publiques sur les prix semblerait plus rapide (ou moins étalée dans le temps) que l'action des dépenses publiques sur le produit national. Cette constatation a en fait une assez grande portée car elle confirme la possibilité d'action. Si en effet, de l'instant t_1 à t_2 les dépenses publiques augmentent (ou diminuent), la conséquence immédiate est une augmentation (ou une diminution) de la demande alors que la production ne va suivre qu'avec un certain décalage. Qu'un phénomène prix soit d'abord observé est donc tout à fait conforme à la thèse de l'action des dépenses publiques sur la conjoncture. Qu'un phénomène d'augmentation (ou de diminution) du produit national ne soit observé qu'après est parfaitement compréhensible si on admet qu'il y a jeu des phénomènes de multiplication et d'accélération. Ces deux phénomènes exigent en effet un certain délai avant de produire leurs conséquences sur le niveau de l'offre. Et même si on n'admettait pas l'existence de ces phénomènes, il faut

[11]) Très souvent les auteurs font une triple distinction: dépenses militaires, de consommation et d'investissement. Notamment dans le cadre des recherches relatives au multiplicateur, ils considèrent — si k est le multiplicateur — que l'effet bénéfique sur l'économie est km (m : montant des dépenses) en ce qui concerne les dépenses de consommation ou d'investissement et seulement (k—1) m s'il s'agit de dépenses militaires. En fait, ces conclusions trop absolues se méprennent sur la dépense militaire qui comprend pour partie des dépenses de consommation — soldes —, pour partie certaines dépenses d'investissement qui peuvent profiter à l'économie civile — recherches, certains types d'infrastructure, — formation technique des recrues... — et seulement pour le solde des dépenses du point de vue économique qui sont improductives (armements proprement dits)

reconnaître que la passation d'une commande à l'instant t_1 ne signifie pas augmentation de la production à l'instant t_1 mais au moins quelque temps après. Ce sont sans doute ces mêmes raisons qui expliquent qu'en période de croissance des dépenses publiques, l'action directe sur les prix semble être plus visible que l'action de ces mêmes dépenses sur le produit national car dans un cas (il s'agit de l'action sur le prix) le décalage de la possibilité d'action est court, dans l'autre cas le décalage dans le temps est plus long. Qu'il y ait donc des possibilités d'action des dépenses publiques sur la conjoncture, ceci semble non seulement théoriquement mais aussi statistiquement conforme à la réalité. Mais statistiquement on a observé que les indices de corrélation dépenses publiques — prix et dépenses publiques — produit national étaient très faibles, ce qui établit que les possibilités d'action des dépenses publiques sur la conjoncture sont limitées, sont contrecarrées par certains phénomènes qu'il convient d'analyser.

B: *Les limites endogènes de l'action des dépenses publiques sur la conjoncture.*

23. Le premier élément à considérer dans le cadre des limites d'action propres aux dépenses publiques elles-mêmes, est celui de *l'importance des dépenses publiques et de l'importance de leurs variations*. Plus les dépenses publiques représentent une fraction importante du total de la demande et plus les variations de ces dépenses sont amples, plus il semble que l'action des dépenses publiques sur la conjoncture soit certaine. En se référant aux statistiques américaines, on constate (cf. Annexe II. Tableau I) que le quotient des dépenses publiques à la Dépense Domestique Nationale a fortement évolué de 1929 à 1953. Alors qu'en 1929 ce quotient en pourcentage n'atteignait pas 10 %, ce quotient est passé par un maximum de près de 50 % (en 1943—44) puis est redescendu aux environs de 27 % en 1953 avec de nombreuses oscillations d'ailleurs. Or, on constate, de 1942 à 1945 (alors que le quotient excède 40 %) qu'il y a une forte corrélation dépenses publiques-prix et une assez forte corrélation dépenses publiques-produit national. Par contre, de 1929 à 1933, ce quotient, bien qu'ayant doublé, est inférieur à 20 % et on constate qu'il n'y a ni corrélation dépenses publiques-prix, ni corrélation dépenses publiques-produit national. Ceci conduit notamment à penser que la *notion de quantum d'action s'applique parfaitement aux dépenses publiques*. Certains auteurs (cf. par exemple M. Lutz) ont mis en relief cette notion et il est admis que le renversement de tendance de la conjoncture exige d'importantes dépenses publiques. Toutefois on doit reconnaître qu'il est

difficile de chiffrer ce que l'on entend par „important". De 1929 à 1933, le quotient des dépenses publiques à la Dépense Domestique Nationale a presque doublé (19,02 % contre 9,79 %); cependant la conjoncture n'a réagi favorablement qu'en 1934, mais il est vrai qu'en prix courants, les dépenses publiques n'ont pratiquement pas changé de 1929 à 1933 (avec toutefois 2 pointes nettes en 1930 et 1931). Or, les pointes nettes de 1930 et 1931 n'ont pas coïncidé avec une reprise; par contre, en 1934 il y a une nouvelle pointe (augmentation de 20 %) et il y a eu reprise. A l'opposé des renseignements de l'année 1934, on peut relever, de 1937 à 1938, qu'il y a eu une forte augmentation des dépenses publiques (en prix constants, courants et en indices du quotient par rapport à la Dépense Domestique Nationale), cependant il y a eu un fléchissement des prix et fléchissement du produit national en prix constants. Si on se réfère aux statistiques françaises (lesquelles établissent clairement que le quotient des dépenses publiques par rapport à la Dépense Domestique Nationale est élevé — il varie de 32 % à 39 %), on constate, de 1951 à 1952 par rapport à 1950—1951, alors que le quotient a augmenté de près de 14 %, que les rythmes de croissance des prix et du produit national ont diminué. Dans le cadre des statistiques américaines, on peut encore observer que, de 1945 à 1946, il y a eu un fléchissement de près de moitié des dépenses publiques (47 milliards de dollars contre 92), cependant les prix ont augmenté de plus de 9 % (il est vrai, il y a eu cependant un fléchissement du produit national en prix constants de l'ordre de 11 %). Au total, il semble que *plus les dépenses publiques sont élevées et plus les variations des dépenses publiques sont amples, plus l'action des dépenses publiques sur la conjoncture est certaine.* Le contraire serait bien entendu surprenant. Toutefois, les dépenses publiques ne sont pas toute la demande et elles ne déclenchent pas toute la production. D'autre part, si elles ont un volume, elles ont une structure et si elles existent, elles supposent un financement.

24. Pour un volume donné, et pour une variation donnée de dépenses publiques, il semble qu'il faille prendre en considération *la structure de ces dépenses.* Supposons une économie en dépression dans un secteur bien déterminé et important, par exemple l'industrie automobile aux Etats-Unis. Si les pouvoirs publics décident d'augmenter les dépenses publiques, l'action de cette augmentation des dépenses dépendra sans doute largement de la nature de ces dépenses publiques. Si l'augmentation des dépenses publiques con-

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[12]) A propos de la bibliographie cf. notamment l'article précité de P. Tabatoni, p. 241.

siste en dépenses d'armements, il n'est pas impossible que les ouvriers du secteur de l'automobile trouvent immédiatement du travail dans les usines d'armements; dans ces conditions, l'augmentation de ces dépenses publiques aura pu avoir rapidement un effet efficace sur la conjoncture. Si l'augmentation de ces dépenses consiste en subvention aux produits agricoles, cette subvention maintiendra ferme les prix agricoles et les revenus des agriculteurs (ou même permettra de les augmenter) mais elle ne permettra pas sans doute aux chômeurs de l'industrie automobile de trouver du travail — sauf si on suppose que la classe des agriculteurs soit suffisamment nombreuse et achète avec ses revenus stabilisés ou augmentés plus de voitures. Ceci n'est pas certain. D'autre part, on peut prévoir que la demande d'automobiles des ouvriers en chômage sera nulle. Dans ces conditions, il se peut — ce n'est pas une certitude — que l'augmentation de ce type de dépenses ne permettra pas à l'industrie automobile de surmonter sa crise — alors que les prix peuvent se maintenir ou même augmenter. Et si le secteur automobile joue un grand rôle dans l'activité économique, sa dépression peut entraîner une dépression généralisée. Dans cette hypothèse, on aura bien eu augmentation des dépenses publiques mais pas augmentation du produit national en prix constants. Il apparaît donc que la structure de la dépense publique est un élément important à prendre en considération. De nombreux auteurs (notamment J. Peyrega — J. Howenstine — A. Smithies) pensent qu'en cas de dépression, le type de dépenses publiques le plus efficace est celui des dépenses de travaux publics. Ceci n'est pas improbable mais ce n'est peut-être pas vrai pour toutes les économies. Nos informations statistiques sont insuffisantes pour avoir pu analyser de près cette question, mais il nous semble d'une façon très générale que trop d'auteurs ont été obnubilés par l'importance du phénomène du multiplicateur dans l'hypothèse notamment de dépenses de travaux publics.

25. Cette tendance à exagérer le rôle du multiplicateur provient sans doute du fait que trop d'auteurs oublient que les dépenses publiques *supposent un financement, financement qui, dans certains cas, peut réduire à peu de chose l'effet réel du multiplicateur* [13]). Si on se reporte à Samuelson [14]) qui donne une analyse mécanique excellente de l'effet de multiplication des dépenses publiques, il ap-

[13]) A propos des critiques du multiplicateur cf. notamment H. M. Groves: Financing Government et J. Marjolis: Publics Works and economic Stability. Journal pol. eco. 1949.

[14]) Cf. P. A. Samuelson. L' Economique. Traduction française Tome I 1953 pages 178 à 182. Cf. également J. Marchal: cours d'Economie Politique. 1ère année 1954—55. Les cours du Droit p. 416 à 430.

paraît que l'aspect financement est considérablement restreint. En substance, Samuelson écrit que les impôts prélevés pour assurer le financement des dépenses publiques n'affectent que les dépenses de consommation des contribuables. Il écrit page 180: „les surcharges fiscales ont pour effet de réduire les revenus réels disponibles et la réduction des revenus disponibles oblige les contribuables à comprimer leurs dépenses de consommation." Introduisant alors la propension à consommer (l'exposé de J. Marchal page 422 du cours cité à la note 14 est beaucoup plus clair), Samuelson conclut en substance: l'effet du multiplicateur est certain (d'où croissance si sous-emploi et inflation si plein-emploi) parce que l'effet positif de la dépense publique sur la demande est supérieur à l'effet négatif du financement par l'impôt de cette dépense sur la demande. En fait, si Samuelson aboutit à ceci, c'est *qu'il admet que les investissements privés n'ont aucun motif de changer parce que le produit national n'a pas changé*. C'est à notre avis ici que se situe la faille de l'analyse de Samuelson. En fait, lorsque l'Etat finance une augmentation de dépenses par une augmentation correspondante des impôts, il n'affecte pas seulement la consommation des particuliers mais aussi l'investissement. Il l'affecte notamment en diminuant les sommes que les entreprises réinvestissent, en diminuant les possibilités d'épargne investie et ceci d'autant plus d'ailleurs que dans nos sociétés modernes, les impôts (directs ou indirects) sont plus ou moins des impôts progressifs. Bien plus, ces impôts progressifs peuvent avoir un effet de freinage sur la propension à produire du secteur privé et il faut en outre tenir compte des effets psychologiques d'une augmentation du prélèvement fiscal, effets qui peuvent conduire à une inflation et non à une expansion de la production. D'autre part, si l'augmentation des dépenses publiques consiste uniquement en dépenses de consommation et si le financement de ces dépenses est assuré par des impôts qui affectent et l'investissement et la propension à produire du secteur privé, il se peut qu'en définitive, il y ait non pas un effet de multiplication positif, mais bien un effet de multiplication négatif [15]). Sans aller jusque là, on doit relever que Samuelson

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[15]) cf. par exemple F. Bloch Lainé qui écrit: „Si l'Etat met son budget en équilibre par un prélèvement fiscal accru, il diminue les moyens de paiement des particuliers et des entreprises. Il peut en résulter soit une réduction d'activité qui diminue la production, donc la masse des biens disponibles, après avoir créé du sous-emploi (de matériaux et d'hommes), soit un sacrifice des investissements aux dépenses de consommation, c'est-à-dire un apprauvrissement en capital, puisque, pendant le temps considéré, la collectivité aura en quelque sorte vécu sur sa substance, puisqu'elle n'aura pas renouvelé son potentiel de production". Cours de l'Institut d'Etudes Politiques. 1950/51. Les cours de Droit page 10.

cf. également le raisonnement de H. Guitton. Public Finance 1954. N° 1 p. 19 et 20.

se contredit à quelques lignes d'intervalle comme le souligne J. Marchal. Alors que Samuelson vient de démontrer que l'effet positif de la dépense publique sur la demande est supérieur à l'effet négatif sur la demande du financement par l'impôt de cette dépense, il écrit [16]): „les dégrèvements constituent un moyen de lutte contre le chômage massif presque aussi efficace que l'accroissement des dépenses publiques." J. Marchal, qui relève cette phrase, précise que Samuelson „commet une erreur manifeste en contradiction avec ses prémisses." En fait, qu'il y ait contradiction avec les prémisses, c'est certain; qu'il y ait erreur manifeste, nous ne le pensons pas, non seulement pour les raisons que nous venons d'exposer mais aussi du fait que Samuelson, à diverses reprises, critique „le schéma ultra-simplifié" qu'il a exposé aux pages 178 à 182 [17]). D'autre part J. Marchal (op. cité p. 430) termine ses développements relatifs „aux effets du budget sur le produit national", développements qui sont dans la ligne du schéma qu'expose Samuelson aux pages 178 à 182 (— quoique plus détaillé —), par cette phrase qui a une grande portée: „Toutes les conclusions jusqu'à présent dégagées ne doivent toutefois être retenues qu'avec prudence pour des raisons sur lesquelles il y a maintenant lieu d'insister". Et suit un chapitre sur les „limites de l'analyse globale".

26. En définitive, il nous semble que l'action des dépenses publiques sur la conjoncture ne dépend pas seulement de leur volume, de leur structure mais aussi de *leur mode de financement*. Qu'une augmentation [18]) de dépenses publiques financée par des moyens monétaires ait une action sur la conjoncture (sur les prix et sur le produit national), cela ne semble pas faire de doute. Le multiplicateur peut jouer, d'où la croissance, mais l'inflation peut aussi entrer en jeu et peut-être plus certainement. Si on se réfère aux statistiques américaines (cf. Annexe II Tableau III et Annexe III Tableau I), il apparaît que la corrélation tendancielle circulation monétaire — prix et circulation monétaire — produit national est élevée (+0,583 sur 24 années, soit 19 cas de corrélation). Mais ce qui est encore plus frappant, c'est que la corrélation différentielle circulation monétaire — prix est beaucoup plus élevée que la corrélation différentielle

16) cf. P. A. Samuelson op. cité p. 182 et J. Marchal op. cité p. 428—429.

17) cf. P. A. Samuelson op. cité p. 183 et surtout p. 334.

18) Au cours de ce paragraphe on raisonnera en partant de l'hypothèse d'une augmentation des dépenses publiques. Si on part de l'hypothèse inverse — diminution des dépenses publiques — on peut aisément reconstituer le raisonnement. Le seule différence est que dans l'hypothèse de diminution des dépenses publiques, on ne doit pas parler d'une augmentation éventuelle des prix ou du produit national, mais d'une diminution éventuelle.

circulation monétaire — produit national. Dans un cas, l'indice de corrélation est + 0,50, dans l'autre + 0,166, ce qui tendrait à confirmer que l'action de la circulation monétaire sur les prix est plus certaine que l'action de la circulation monétaire sur le produit national, quoique cette dernière action soit cependant claire. Que l'augmentation de dépenses publiques financée par le crédit (d'où incidence sur la dette publique) ait une action sur le conjoncture (sur les prix et sur le produit national), cela semble moins certain, car le recours au crédit public affecte le solde des disponibilités et le comportement du secteur privé. Si on se réfère aux statistiques américaines (cf. Annexe II Tableau III et Annexe III Tableau I), il apparaît que la corrélation dette publique — prix et dette publique — produit national est plus faible que la corrélation circulation monétaire — prix et circulation monétaire — produit national. Cette corrélation est voisine des corrélations dépenses publiques — prix et dépenses publiques — produit national; même la corrélation dette publique — produit national tend à être inférieure à la corrélation dépenses publiques — produit national; c'est le contraire observé pour la corrélation avec les prix. Ceci tendrait à prouver qu'un financement des dépenses publiques par le recours au crédit public a un effet de freinage sur le produit national plus net qu'un financement par l'impôt, alors qu'au contraire, un financement des dépenses publiques par le recours au crédit public a un effet d'accélération sur les prix plus net qu'un financement par l'impôt. On peut expliquer cette constatation dans la mesure où l'on admet que le recours au crédit public prélève sur des revenus qui auraient gagné le secteur privé d'investissement alors que la dépense publique augmente la demande de consommation (ce qui est assez vrai dans le cadre de l'économie américaine où les investissements publics sont faibles); par contre, un financement par l'impôt, s'il peut affecter les revenus qui auraient gagné le secteur privé d'investissement, il affecte en même temps la demande de consommation du secteur privé — il y a alors dans le cadre de la politique budgétaire substitution, au moins pour partie, d'une demande de consommation publique à une demande de consommation privée. Les constatations statistiques observées dans le cadre de l'économie américaine s'expliquent donc assez bien. Si on avait affaire à un autre type d'économie (là où les investissements publics sont élevés — par exemple en France), il est fort possible que les constatations statistiques soient inverses dans la mesure où le financement d'un investissement public par l'impôt peut constituer dans une certaine mesure une substitution d'investissement à une consommation privée (surtout si les impôts indirects sont importants). Que l'augmentation de dépenses publiques financée par l'impôt ait une action sur la con-

joncture (sur les prix [19]) et sur le produit national), cela ne semble ni obligatoire, ni évident. S'il peut y avoir un effet positif du multiplicateur, il peut y avoir un effet négatif aussi. L'ensemble des observations statistiques analysées *(cf. supra II: synthèse des corrélations dépenses publiques — prix et dépenses publiques — produit national)* et l'ensemble des considérations théoriques qui viennent d'être développées (cf. supra para. 25), invitent à la plus extrême prudence. On ne peut pas affirmer a priori qu'une dépense publique puisse avoir un effet sur les prix, sur le produit national, mais on ne peut pas le nier non plus, tout au moins quand on reste cantonné sur le plan de l'analyse globale. L'action finale dépend en définitive non seulement de l'incidence de la dépense elle-même (de son volume, de sa nature) mais aussi de l'incidence, qui peut être contraire, du prélèvement fiscal lequel affecte la consommation privée, l'investissement privé et, ce qui est encore plus difficile à chiffrer, le comportement d'ensemble du secteur privé. Pour pouvoir analyser de plus près les phénomènes, il conviendrait alors de quitter les cîmes de la macroéconomie et de s'attarder dans le complexe de la plaine de la microéconomie et des comportements. C'est là une étude particulièrement délicate et difficile et pour laquelle ou bien les statistiques font défaut ou bien il est impossible à un chercheur isolé de les rassembler et de les exploiter. Conscients de notre faiblesse, nous ne prétendons pas que cette recherche, qui procède avec des matériaux statistiques rudimentaires et globaux, puisse résoudre comme par enchantement les multiples problèmes qui se posent à propros de l'action des dépenses publiques sur la conjoncture. Toutefois, si on se place sur le plan de l'analyse globale — ce que font notamment la plupart des auteurs qui procèdent de Keynes —, il semble que nos moyens statistiques sont appropriés dans le cadre d'une analyse de cette sorte. Or, à l'aide de ces moyens il semble apparaître que si l'action des dépenses publiques sur la conjoncture dépend de leur volume, *cette action n'est pas un absolu, qu'elle se heurte à des limites qui tiennent à la structure des dépenses elles-mêmes et plus encore à leur financement.* Il convient alors d'être extrêmement prudent lorsqu'on veut situer l'action des dépenses publiques dans la conjoncture et il convient aussi d'être extrêmement réservé lorsqu'on se trouve en présence de théories d'explica-

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[19]) Dans le cadre des recherches théoriques de l'action des finances publiques sur les prix, on trouvera notamment une excellente étude de M. White: Détermination de l'effet inflationniste d'un budget d'état; étude notamment reproduite dans Statistiques et Etudes financières août — septembre 1951 N° 32—33 p. 683—698. Cette étude essaie d'établir un certain pont — sous l'angle des finances publiques — entre la macroéconomie et la microéconomie. C'est une thèse de „relativité" dont nous acceptons dans l'ensemble les grandes lignes.

tion très séduisantes qui procèdent d'une technique par trop mécaniste et simple, dont la simplicité n'est peut-être parfois, pour reprendre les propos de Charles Rist, que „l'expression d'un simplisme intellectuel qui veut à toute force trouver une solution à tous les problèmes" [20]).

27. Cette conclusion intermédiaire semble d'autant plus vraie d'ailleurs dans le cadre de cette recherche, que vouloir déterminer exactement l'action des dépenses publiques sur la conjoncture, suppose que l'on puisse isoler cette action parmi de multiples autres qui sont dans la dépendance d'autres facteurs externes aux dépenses publiques. Parmi ces facteurs, on peut relever: les interventions des Pouvoirs Publics non enregistrées dans les dépenses publiques, le comportement du secteur privé, les phénomènes monétaires, les incidences des transactions internationales — mouvements de marchandises, de capitaux —, les phénomènes psycho-politiques, les circonstances exceptionnelles (guerres — découvertes nouvelles — mauvaises ou bonnes récoltes...). Tous ces facteurs peuvent accentuer l'action des dépenses publiques sur la conjoncture, mais ils peuvent aussi la contrecarrer et même plus que l'annihiler. En conséquence, aux limites internes propres à l'action des dépenses publiques sur la conjoncture, s'ajoutent de multiples limites extérieures aux dépenses publiques; on peut qualifier ces limites d'exogènes.

C - *Les limites exogènes à l'action des dépenses publiques sur la conjoncture:*

28. Pour essayer d'éliminer au maximum l'incidence sur la conjoncture de facteurs extérieurs aux dépenses publiques, on s'est servi d'un indice à base mobile (changement de base chaque année) et on a complété la recherche de corrélation tendancielle par une recherche de corrélation différentielle (cf. supra I: méthode statistique). Malgré toutes les précautions prises, il est évident qu'il n'a pas été possible d'éliminer toutes les incidences extérieures aux dépenses publiques: notamment ces incidences subsistent dans le cadre de

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[20]) On pourra se référer aussi à la prudence de Samuelson lorsqu'il écrit sous le chapitre: Politique financière de plein emploi sans inflation „Nous tenons à prévenir le lecteur que le sujet traité dans ce chapitre est encore matière à controverses. Bien que nous ayons souligné les inconvénients aussi bien que les avantages inhérents à différentes politiques budgétaires, on aurait tort de croire que, dans l'état actuel imparfait de nos connaissances scientifiques, les économistes soient d'accord sur le poids relatif des pour et des contre. Le lecteur doit donc se garder de se faire une opinion après avoir hâtivement parcouru quelque argumentation à première vue convaincante".
op cit. p. 326—327.

la période d'une année, car la base mobile annuelle ne permet pas d'éliminer les influences extérieures qui peuvent se produire pendant une année. Pour éliminer ces influences extérieures, il faudrait suivre dans le cadre d'une période beaucoup plus courte le cheminement des incidences directes et indirectes d'un mouvement donné de dépenses publiques. Ceci supposerait que l'on puisse disposer de moyens statistiques et d'investigations qui débordent largement le cadre de cette recherche. Aussi les indices de corrélation que nous avons obtenus, qui sont faibles, le sont peut-être trop — ou peut-être pas assez — dans la mesure où des facteurs extérieurs aux dépenses publiques ont pu contrecarrer — ou accentuer — et masquer l'action propre des dépenses publiques sur la conjoncture.

29. Le premier facteur extérieur auquel on peut penser est celui de *l'intervention des Pouvoirs Publics, intervention non enregistrée dans les dépenses publiques:* règlementation de prix, de salaires, de durée du travail, de crédit... S'il y a par exemplaire une taxation des prix et des salaires, cette taxation contrecarre une augmentation des prix qu'entraînerait éventuellement une augmentation des dépenses publiques.

30. Un second facteur extérieur peut être le *comportement autonome du secteur privé.* Si de l'instant T_1 à T_2 la demande publique augmente de 10 % alors que la demande privée fléchit pour de multiples raisons (mauvaises récoltes, crainte de la crise — chômage —, facteurs psycho-politiques...) il se peut que le volume global de la demande effective soit en T_2 inférieur à ce qu'il était en T_1. Il suffit de supposer d'ailleurs un très faible fléchissement de la demande privée dans tous les cas où cette dernière constitue l'essentiel de la demande globale. Par exemple aux Etats-Unis en 1929, la demande publique représentait moins de 10 % de la demande totale et la demande privée plus de 90 %. Un fléchissement de l'ordre de 1 % de cette demande privée suffisait presque à équilibrer une augmentation de 10 % des dépenses publiques. Or, pendant des années de dépression, la demande privée fléchit très facilement de plus de 1 %. Donc, même une assez forte augmentation des dépenses publiques (si le niveau de ces dernières est faible), peut très facilement être plus que compensée par un faible fléchissement des dépenses privées. D'autre part, au comportement autonome du secteur privé peut s'ajouter un *comportement de réaction à la politique budgétaire.* Ce comportement induit peut très facilement contrecarrer l'action de la dépense publique, d'autant plus chaque fois que le secteur privé est important. Samuelson a nettement mis en relief ce phénomène (cf. op. cité p. 334). Il écrit: „Des hommes d'affaires peuvent

se dire: — „Tant que l'homme de la Maison Blanche jettera l'argent par les fenêtres, il est prudent de surseoir à nos petits projets d'investissements." — Une société de services publics peut agir de même parce qu'elle redoute la concurrence des réservoirs hydro-électriques mis en chantier par l'Etat (équipement de la Vallée du Tennessee, etc....). Ou encore, quand les dépenses budgétaires procurent au public le moyen d'acheter dans les magasins de détail, l'effet de telles largesses, en période de dépression profonde, peut être simplement de permettre aux commerçants de liquider leurs stocks excédentaires; or, s'ils ne passent pas de commandes de réassortiment, l'investissement public aura été à peu près purement et simplement neutralisé par le désinvestissement privé (des stocks) qu'il aura induit et la chaîne du multiplicateur aura été interrompue dès ses premiers maillons..." On ne peut que souscrire à ces exemples donnés par Samuelson dont la liste n'est pas limitative.

31. Un troisième facteur extérieur peut consister en *phénomènes monétaires*. On a déjà souligné l'assez étroite corrélation qui existe entre la circulation monétaire et la conjoncture (cf. supra paragraphe 26 et Annexe III — Tableau I). Une expansion des dépenses publiques peut être plus que contrecarrée par une contraction de la circulation monétaire; réciproquement, une contraction des dépenses publiques peut être plus que contrecarrée par une augmentation de la circulation monétaire. Dans le cas spécifique de l'économie américaine, on doit notamment souligner le rôle du crédit à la consommation (cf. Annexe II. Tableau III et Annexe III. Tableau I). La corrélation crédits à la consommation et conjoncture est pour les Etats-Unis relativement très élevée. Par exemple, la corrélation tendancielle crédits à la consommation et prix, est, pour la période 1929—1953, même supérieure à la corrélation tendancielle circulation monétaire — prix. Elle atteint +0,666, soit 20 cas de corrélation sur 24 années. C'est sur une longue période l'indice de corrélation le plus élevé que nous avons constaté pour les Etats-Unis (cf. Annexe III. Tableau I). Si on se reporte aux années 1945—46, on constate que les dépenses publiques ont fléchi de près de moitié aux Etats-Unis, ce qui est énorme (47 milliards de dollars contre 93 soit 46 milliards de dépenses publiques en moins), cependant les prix ont augmenté de plus de 9 %. Certes, le produit national en prix constants a fléchi de 11 % environ (mais en prix courants de 2 % seulement). En réalité, on aurait pu s'attendre à une récession beaucoup plus aigüe, notamment à un fléchissement des prix. Mais en fait, la demande privée (laquelle avait été contenue pendant les années passées) a colmaté dans une large mesure l'effondrement des dépenses publiques, d'autant plus d'ailleurs qu'elle fut forte-

ment stimulée par une augmentation très sensible des crédits à la consommation (augmentation de près de 50 %), augmentation qui s'est prolongée après 1946 (alors que de 1941 à 1943 les crédits à la consommation avaient été ramenés de 9,2 milliards de $ à 4,9, de 1945 à 1946 ces crédits passent de 5,7 milliards à 8,4 puis, par étapes, ils atteindront en 1953: 29,5 milliards de $). Or, ce qu'il convient de souligner, c'est qu'une augmentation de crédits à la consommation provoque une augmentation de la demande supérieure au montant des crédits. Bien plus, dans le cas de l'économie américaine, ces crédits ont concerné plus spécialement des voitures automobiles, de l'équipement ménager (réfrigérateurs — machines à laver...), tous biens qui pouvaient être facilement produits dans les usines qui quelques mois auparavant produisaient des biens d'armements. Tout ceci a bien entendu favorisé la reconversion des usines d'armements et a limité rapidement un sous-emploi massif que l'on pouvait redouter. D'autre part, la réduction considérable des dépenses publiques a provoqué par là même une certaine réduction des cettes fiscales (d'environ 2 milliards: 51,7 milliards de $ en 1946 contre 53,7 en 1945) mais surtout une réduction de plus de 19 milliards de la dette publique (cf. Annexe II, Tableau III). Au total, le secteur privé, outre les crédits à la consommation, disposait d'un pouvoir d'achat supplémentaire de plus de 21 milliards de $, pouvoir d'achat rapidement utilisé à plein dans la mesure où le public avait un arriéré de demande de consommation à satisfaire et dans la mesure où les entreprises avaient des arriérés de demande d'investissement à satisfaire. Ces quelques éléments pris parmi d'autres (dont exportations massives [21]) et dons de marchandises...) expliquent, malgré l'effondrement des dépenses publiques américaines de 1945 à 1946, qu'il y a eu cependant hausse des prix et seulement une faible récession.

32. Un quatrième facteur peut consister en *incidences des transactions internationales* (mouvements de marchandises et de capitaux) [22]). Le comportement des transactions internationales agit sur le conjoncture notamment en modifiant l'offre intérieure (concours de capitaux extérieurs — importations massives — dons) et la demande (sortie de capitaux — exportations massives...). Tous ces facteurs peuvent agir sur la conjoncture plus que les dépenses pu-

[21]) Alors qu'en 1945 la balance commerciale des Etats-Unis était déficitaire de 1,8 milliards de $, elle était en 1946 excédentaire de 4 milliards et en 1947 de 8 milliards (cf. National Income 1954 edition, table 11 p. 175).

[22]) A souligner aussi le rôle des mouvements de prix mondiaux (notamment de ceux des denrées de base: fer — charbon — cuivre — coton...) sur les prix nationaux.

bliques. Par exemple, une augmentation des dépenses publiques de 10 milliards de francs peut être plus que compensée par une importation massive de 50 milliards de produits dont 10 ou plus couvriront exactement les types de demande qui ont leur source dans l'augmentation des dépenses publiques.

33. Un cinquième facteur peut consister en *phénomènes psycho-politiques*. La crainte de l'inflation peut peser plus sur les prix qu'une augmentation des dépenses publiques. Par exemple, en France, de 1951 à 1952 par rapport à 1950—51, le rythme de croissance des dépenses publiques s'est fortement accentué, par contre, celui des prix a nettement fléchi. Aux facteurs psycho-politiques a pu d'ailleurs s'ajouter, dans ce cas français, l'incidence des mouvements de prix mondiaux (cf. ci-dessus note 22).

34. Un sixième facteur peut consister en *circonstances exceptionnelles* (guerres — mauvaises ou bonnes récoltes — inventions nouvelles...). Ces circonstances, par exemple l'invention de produits nouveaux, la mise en oeuvre de techniques nouvelles de production (exemple: l'automation), l'exploitation de nouvelles sources d'énergie (exemple: énergie atomique)..., peuvent influencer plus la conjoncture qu'une variation même sensible des dépenses publiques.

35. Tous ces facteurs que nous venons simplement d'énumérer peuvent plus ou moins constituer ce que Charles Rist appelle „les circonstances constamment changeantes". Tous ces facteurs accentuent ou contrecarrent le rôle propre des dépenses publiques. Si certains de ces facteurs sont dans la dépendance des pouvoirs publics et à des degrès divers (règlementation de prix, de salaires; politique monétaire et de crédit; politique commerciale...), d'autres (comportement autonome du secteur privé; phénomènes psycho-politiques; circonstances exceptionnelles; mouvements mondiaux des prix...) leur échappent plus ou moins complètement. Et tous ces facteurs ajoutent ou retranchent leur action à celle des finances publiques. On peut difficilement nier l'existence de l'action de ces facteurs ou tout au moins omettre d'en parler, car elle est plus ou moins intégrée dans le complexe de l'action possible des dépenses publiques sur la conjoncture.

IV. *Conclusions:*

36. En nous laissant „guider par les faits expérimentaux et non par les arguments théoriques" selon les sages conseils de Samuel-

son (cf. op. cité p. 335), on peut constater que le bilan positif de cette recherche est assez maigre. Certes, on ne disposait pour une période assez longue que de statistiques américaines et encore il s'agissait de statistiques globales, aussi était-ce sans doute une gageure de vouloir apporter quelque chose de très neuf à un sujet aussi complexe et avec des moyens statistiques si limités. Cependant, il semble que l'on puisse avec quelque certitude avancer les conclusions suivantes:

1ère conclusion: La politique budgétaire n'est pas une panacée universelle. Il est aussi inexact de soutenir la thèse que les dépenses publiques sont responsables de tous les maux de la conjoncture (notamment de l'inflation) — mais elles peuvent l'être — *que de soutenir la thèse que les dépenses publiques sont responsables de tous les bienfaits de la conjoncture* — (notamment de l'expansion économique réelle) — mais elles peuvent l'être. Toutes les théories qui plaident à fond l'une ou l'autre de ces deux thèses opposées sont manifestement excessives car les indices de corrélation observés — dépenses publiques — prix et dépenses publiques — conjoncture — sont très faibles et parce que les dépenses publiques ne sont pas le seul facteur qui peut agir sur la conjoncture.

2ème conclusion: Bien plus, *l'action des dépenses publiques sur la conjoncture, si elle peut exister, se heurte à certaines limites internes dont la plus importante est sans doute celle de leur financement.* On ne peut pas analyser l'action des dépenses publiques sur la conjoncture en elle-même sans tenir compte des réactions parfois inverses et plus importantes que leur financement peut déclencher. Il en résulte qu'un concept mécaniste simple, tel celui du multiplicateur, s'il constitue un concept fascinant de raisonnement, il n'en repose pas moins sur une base bien fragile et si ce multiplicateur peut agir, ce n'est pas forcément dans le sens qu'une logique apparemment correcte et fondée lui avait désigné.

3ème conclusion: Enfin, il a été souligné au passage (cf. supra paragraphes 6 à 8) *que les théories qui lient indissolublement inflation à expansion et déflation à dépression sont excessives,* ce qui ne veut pas dire que ces phénomènes ne peuvent pas parfois et notamment sur une courte période aller de pair. Tel est en substance le bilan de cette recherche qui incitera peut-être, ce que nous souhaitons, d'autres économistes à se pencher sur ces problèmes avec des moyens statistiques plus complets et plus appropriés que ceux qu'il nous a été possible d'utiliser.

ANNEXES

Annexe I: Informations statistiques: FRANCE — période 1949—1954.

Annexe II: Informations statistiques: ETATS-UNIS — période 1929—1953.

Annexe III: Corrélations obtenues pour les Etats-Unis.

Annexe I

INFORMATIONS STATISTIQUES: FRANCE

Sources: Rapports sur les comptes de la Nation 1949—1955. SEF Janvier 1956.

Années / Rubriques	Dépense Domestique Nationale. En milliards de francs courants.	Dépenses Publiques (a)		Quotient des Dépenses Publiques à la Dépense Domestique Nationale		Produit National Brut Prix courants		Produit National Brut Prix constants 1952		Mouvement des prix		Dépenses pubiques Prix constants
		En milliards de francs courants	En indice à base mobile	En pourcentage	En indice à base mobile	En milliards de francs courants	En indice à base mobile	En milliards de francs 1952	En indice à base mobile	Ecart d'une année à l'autre	En indice à base mobile	En indice à base mobile
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12) = (3)—(10)
1949	8.570	2.760	100	32,2	100	8.400	100	12.330	100	0	100	100
1950	9.670	3.295	119,4	34,0	105,5	9.610	114,4	13.220	107,2	+ 7,2	107,2	112,2
1951	12.060	4.020	122,0	33,3	97,9	11.860	123,4	13.710	103,7	+ 19,7	119,7	102,3
1952	14.410	5.462	135,9	37,9	113,8	14.140	119,2	14.140	103,1	+ 16,1	116,1	119,8
1953	14.660	5.750	105,8	39,2	103,4	14.530	102,7	14.500	102,5	+ 0,2	100,2	105,6
1954	15.440	6.055	105,3	39,2	100	15.390	105,9	15.250	105,2	+ 0,7	100,7	104,6

(a) concept OECE. Dépenses courantes + dépenses en capital.

ANNEXE II

Informations statistiques — Etats-Unis

(1929—1953)

Tableau I: Evolution du Produit National Brut, de la Dépense Domestique Nationale et des Dépenses Publiques.

Tableau II: Indices à base mobile de l'évolution aux Etats-Unis du Produit National Brut, des Prix et des Dépenses Publiques.

Tableau III: Indices à base mobile de l'évolution aux Etats-Unis de la Dette Publique, de la Circulation Monétaire et du Crédit à la Consommation.

Tableau I

EVOLUTION AUX ETATS-UNIS DE 1929 à 1953 DU PRODUIT NATIONAL BRUT, DE LA DEPENSE DOMESTIQUE NATIONALE ET DES DEPENSES PUBLIQUES

(Prix courants)

Sources: Supplement to the Survey of Current Business. National Income 1954 édition U.S. Government printing office. Washington 1954.

col: (1) Produit National Brut : p. 162—163 Table 2 ligne 1
col: (2) Transferts nets reçus : p. 174—175 Table 11 ligne 7 (avec changement de signe)
col: (4) Dépenses publiques : p. 172—173 Table 9 ligne 1

Années	Produit National Brut. (en millions de $ U.S.)	Fransferts nets reçus (en millions de $ U.S.)	Dépense Domestique Nationale (en millions de $ U.S.)	Dépenses publiques (en millions de $ U.S.)	Quotient des dépenses publiques à la Dép. Domestique Nationale (en %)	Indices à base mobile du quotient des dépenses publiques à la Dépense Domestique Nationale
(0)	(1)	(2)	(3) = (1)+(2)	(4)	(5) = $\frac{4}{3} \times 100$	(6)
1929	104.436	+ 39	104.475	10.227	9,79	100
30	91.105	+ 56	91.161	11.022	12,09	123,49
31	76.271	+ 350	76.621	12.318	16,08	133,00
32	58.466	+ 224	58.690	10.607	18,07	112,38
33	55.964	+ 173	56.137	10.676	19,02	105,26
34	64.975	— 126	64.849	12.830	19,78	104,00
35	72.502	+ 421	72.923	13.340	18,29	92,47
36	82.743	+ 393	83.136	15.882	19,10	104,43
37	90.780	+ 221	91.001	14.827	16,29	85,29
38	85.227	— 723	84.504	16.589	19,63	120,50
39	91.095	— 575	90.520	17.522	19,36	98,62
40	100.618	— 1.152	99.466	18.467	18,56	95,87
41	125.822	— 761	125.061	28.753	22,99	123,87
42	159.133	+ 572	159.705	64.032	40,09	174,38
43	192.513	+ 2.612	195.125	93.399	47,87	111.92
44	211.393	+ 2.522	213.915	103.072	48,18	100,65
45	213.558	+ 1.807	215.365	92.943	43,16	89,58
46	209.246	— 4.009	205.237	47.064	22,93	53,13
47	232.228	— 8.068	224.160	43.864	19,57	85,35
48	257.325	— 880	256.445	51.397	20,04	102,40
49	257.301	+ 544	257.845	59.658	23,14	115,47
50	285.067	+ 3.467	288.534	61.247	21,23	91,75
51	328.232	+ 1.320	329.552	79.398	24,09	113,47
52	346.095	+ 1.627	347.722	93.918	27,01	112,12
53	364.857	+ 3,366	369.223	102.531	27,77	102,81

INDICES A BASE MOBILE DE L'EVOLUTION DU PRODUIT NATIONAL BRUT, DES PRIX ET DES DEPENSES PUBLIQUES

Sources: Supplement to the Survey of Current Business. National Income 1954; édition U.S. Government printing office. Washington 1954.

Col (1):
Produit National Brut prix courants.
p. 162—163 Table 2 ligne 1.

Col (3):
Produit National Brut prix constants 1947
p. 216—217 Table 40 ligne 1.

Col (7):
Dépenses publiques prix courants.
p. 172—173 Table 9 ligne 1.

Années	Produit national brut Prix courants		Produit National Brut Prix constants 1947		Mouvement des prix		Dépenses Publiques Prix courants		Dépenses Publiques Prix constants
	En millions de $ U.S.	En indices à base mobile	En milliards de $ U.S.	En indices à base mobile	Ecart d'une année à l'autre	En indices à base mobile	En millions de $ U.S.	En indices à base mobile	En indices à base mobile
(0)	(1)	(2)	(3)	(4)	5 = (2)—(3)	(6)	(7)	(8)	(9) = (8)—(5)
1929	104.436	100	149,3	100	0	100	10.227	100	100
30	91.105	87,24	135,2	90,56	— 3,32	96,68	11.022	107,77	111,09
31	76.271	83,72	126,6	93,64	— 9,92	90,08	12.318	111,76	121,68
32	58.466	76,63	107,6	84,99	— 8,36	91,64	10.607	86,11	94,47
33	55.964	95,72	103,7	96,38	— 0,66	99,34	10.676	100,65	101,31
34	64.975	116,10	113,4	109,35	+ 6,75	106,75	12.830	120,18	113,43
35	72.502	111,58	127,8	112,70	— 1,12	98,88	13.340	103,97	105,09
36	82.743	114,13	142,5	111,50	+ 2,63	102,63	15.882	116,81	114,18
37	90.780	109,71	153,5	107,72	+ 1,99	101,99	14.827	93,36	91,37
38	85.227	93,88	145,9	95,05	— 1,17	98,83	16.589	111,88	113,05
39	91.095	106,89	157,5	107,95	— 1,06	98,94	17.522	105,62	106,68
40	100.618	110,45	171,6	108,95	+ 1,50	101,50	18.467	105,39	103,89
41	125.822	125,05	198,2	115,50	+ 9,55	109,55	28.753	155,70	146.15
42	159.133	126,47	223,6	112,82	+ 13,65	113,65	64.032	222,70	209,05
43	192.513	120,98	248,9	111,31	+ 9,67	109,67	93.399	145,86	136,19
44	211.393	109,81	268,2	107,75	+ 2,06	102,06	103.072	110,36	108,30
45	213.558	101,02	263,1	98,10	+ 2,92	102,92	92.943	90,17	87,25
46	209.246	97,98	233,8	88,86	+ 9,12	109,12	47.064	50,64	41,52
47	232.228	110,98	232,2	99,32	+ 11,66	111,66	43.864	93,20	81,45
48	257.325	110,76	243,9	105,04	+ 5,72	105,72	51.397	117,17	111,45
49	257.301	99,99	241,5	99,02	+ 0,97	100,97	59.658	116,07	115,10
50	285.067	110,79	264,7	109,61	+ 1,18	101,18	61.247	102,66	101,48
51	328.232	115,14	282,9	106,88	+ 8,26	108,26	79.398	129,64	121,38
52	346.095	105,44	294,2	103,99	+ 1,45	101,45	93.918	118,29	116,84
53	364.857	105,42	306,6	104,21	+ 1,21	101,21	102.531	109,17	107,96

Tableau III

INDICES A BASE MOBILE DE L'EVOLUTION AUX ETATS-UNIS DE 1929 à 1953 DE LA DETTE PUBLIQUE, DE LA CIRCULATION MONETAIRE ET DU CREDIT A LA CONSOMMATION

(Données en prix courants)

Sources: Economic Report of the President. Janvier 1955. U.S. Government printing office. Washington 1955. Appendice D p. 135—203.

Col (1): Dette publique. Table D. 45 (U.S. Government debt) col. 1 p. 185.
Col (3): Circulation monétaire. Table D. 42 (Deposits and currency) col. 1 p. 182
Col (5) Crédit à la consommation. Table D/39 (Short and intermediate term consumer credit outstanding). Col. 1 p. 179.

Années	Dette Publique (Fin de période)		Circulation Monétaire (Fin de période)		Crédit à la consommation (Fin de période)	
	En milliards de $ U.S.	En indice à base mobile	En milliards de $ U.S.	En indice à base mobile	En milliards de $ U.S.	En indice à base mobile
(0)	(1)	(2)	(3)	(4)	(5)	(6)
1929	16,3	100	54,742	100	6,444	100
30	16,0	98,15	53,572	97,86	5,767	89,49
31	17,8	111,25	48,379	90,30	4,760	82,53
32	20,8	116,85	45,370	93,78	3,567	74,93
33	24,0	115,38	42,551	93,78	3,482	97,61
34	31,5	131,25	48,106	113,05	3,904	112,11
35	35,1	111,42	52,726	109,60	4,911	125,79
36	39,1	111,39	57,595	109,23	6,135	124,92
37	41,9	107,16	56,781	98,58	6,689	109,03
38	44,4	105,96	59,878	105,45	6,338	94,75
39	47,6	107,20	64,733	108,10	7,222	113,94
40	50,9	106,93	71,129	109,88	8,338	115,45
41	64,3	126,32	79,098	111,20	9,172	110,00
42	112,5	174,96	100,500	127,05	5,983	65,23
43	170,1	151,20	123,391	122,77	4,901	81,91
44	232,1	136,44	151,428	122,72	5,111	104,28
45	278,7	120,07	176,378	116,47	5,665	110,83
46	259,5	93,11	167,500	94,96	8,384	147,99
47	257,0	99,03	172,330	102,88	11,570	138,00
48	252,9	98,40	172,693	100,21	14,411	124,81
49	257,2	101,70	173,851	100,67	17,104	118,44
50	256,7	99,80	180,574	103,86	20,813	121,68
51	259,5	101,09	189,861	105,14	21,468	103,14
52	267,4	103,04	200,449	105,57	25,827	120,30
53	275,2	102,91	205,720	102,62	29,537	114,36

ANNEXE III

Corrélation obtenues pour les Etats-Unis

Tableau I: Synthèse des corrélations.

Tableau II: Corrélation tendancielle et différentielle du quotient des Dépenses Publiques à la Dépense Domestique Nationale avec l'évolution des Prix et avec l'évolution du Produit National en prix constants 1947.

Tableau III: Corrélation tendancielle et différentielle des Dépenses Publiques en prix constants avec l'évolution des Prix et avec l'évolution du Produit National en prix constants 1947.

Tableau IV: Corrélation tendancielle et différentielle des Dépenses Publiques en prix courants avec l'évolution des Prix et avec l'évolution du Produit National en prix constants 1947.

Tableau I

SYNTHESE DES CORRELATIONS — ETATS-UNIS

Période 1929—1953

Variable dont on cherche la corrélation	Corrélation des tendancielle		Corrélation différentielle	
	Avec les prix	Avec le Produit National en prix constants	Avec les prix	Avec le Produit National en prix constants
1. Quotient des Dépenses Publiques à la Dépense Domestique Nationale	$+0{,}083\ \frac{(13—11)}{24}$	$+0{,}083\ \frac{(13—11)}{24}$	$-0{,}083\ \frac{(11—13)}{24}$	$-0{,}083\ \frac{(11—13)}{24}$
2. Dépenses Publiques prix constants	$+0{,}166\ \frac{(14—10)}{24}$	$+0{,}416\ \frac{(17—7)}{24}$	$+0{,}083\ \frac{(13—11)}{24}$	$+0.083\ \frac{(13—11)}{24}$
3. Dépenses Publiques Prix courants	$+0{,}166\ \frac{(14—10)}{24}$	$+0{,}416\ \frac{(17—7)}{24}$	$+0{,}166\ \frac{(14—10)}{24}$	$+0{,}166\ \frac{(14—10)}{24}$
4. Dette Publique (prix courants)	$+0{,}166\ \frac{(14—10)}{24}$	$+0{,}333\ \frac{(16—8)}{24}$	$+0{,}250\ \frac{(15—9)}{24}$	$0\ \frac{(12—12)}{24}$
5. Circulation Monétaire (prix courants) . .	$+0{,}583\ \frac{(19—5)}{24}$	$+0{,}583\ \frac{(19—5)}{24}$	$+0{,}50\ \frac{(18—6)}{24}$	$+0{,}166\ \frac{(14—10)}{24}$
6. Crédits à la consommation (prix courants) .	$+0{,}666\ \frac{(20—4)}{24}$	$+0{,}50\ \frac{(18—6)}{24}$	$+0{,}166\ \frac{(14—10)}{24}$	$+0{,}166\ \frac{(14—10)}{24}$

Corrélation tendancielle et différentielle du quotient des Dépenses Publiques à la Dépense Domestique Nationale avec l'évolution des Prix et avec l'évolution du Produit National Brut en prix constants 1947.

Périodes	Corrélation du quotient des dépenses publiques à la Dépense Domestique Nationale avec l'évolution des prix		Correlation du quotient des dépenses publiques à la Dépense Domestique Nationale avec l'évolution du produit National brut en prix constants 1947	
	Corrélation tendancielle	Corrélation différentielle	Corrélation tendancielle	Corrélation différentielle
1929—1953 (sans décalage)	$+0{,}083\ \frac{(13—11)}{24}$	$+0{,}083\ \frac{(11—13)}{24}$	$+0{,}083\ \frac{(13—11)}{24}$	$-0{,}083\ \frac{(11—13)}{24}$
1929—1953 (avec décalage d'une année) . . .	$-0{,}043\ \frac{(11—12)}{23}$	$-0{,}304\ \frac{(8—15)}{23}$	$+0{,}130\ \frac{(13—10)}{23}$	$+0{,}043\ \frac{(12—11)}{23}$
1934—1953 (sans décalage)	$+0{,}30\ \frac{(13—7)}{20}$	$+0{,}10\ \frac{(11—9)}{20}$	$+0{,}30\ \frac{(13—7)}{20}$	$-0{,}10\ \frac{(9—11)}{20}$
1934—1953 (avec décalage d'une année) . .	$+0{,}052\ \frac{(10—9)}{19}$	$-0{,}263\ \frac{(7—12)}{19}$	$+0{,}26\ \frac{(12—7)}{19}$	$+0{,}157\ \frac{(11—8)}{19}$
1°. Augmentation tendancielle du quotient des dépenses publiques à la Dépense Domestique Nationale: 16 années (a)	$+0{,}375\ \frac{(11—5)}{16}$		$+0{,}25\ \frac{(10—6)}{16}$	
2°. Augmentation différentielle du quotient des dépenses publiques à la Dépense Domestique Nationale: 10 années (b)		$0\ \frac{(5—5)}{10}$		$-0{,}20\ \frac{(4—6)}{10}$
3°. Diminution tendancielle du quotient des dépenses publiques à la Dépense Domestique Nationale: 8 années (c)	$-0{,}50\ \frac{(2—6)}{8}$		$-0{,}25\ \frac{(3—5)}{8}$	
4°. Diminution différentielle du quotient des dépenses publiques à la Depense Domestique Nationale: 14 années (d)		$-0{,}14\ \frac{(6—8)}{14}$		$0\ \frac{(7—7)}{14}$

(a) 16 années: 1929—34, 1936, 1938, 1941—44, 1948—49, 1951—53

(b) 10 années: 1930—31, 1936, 1938, 1941—42, 1947—48, 1951

(c) 8 années: 1935, 1937, 1939—40, 1945—47, 1950

(d) 14 années: 1932—35, 1937, 1939—40, 1943—46, 1950, 1952—53

Tableau III

Corrélation tendancielle et différentielle des Dépenses Publiques en prix contants avec l'évolution des Prix avec l'évolution du Produit National Brut en prix constants 1947.

Périodes	Corrélation des dépenses publiques en prix constants avec l'évolution des prix		Corrélation des Dépenses Publiques en prix constants avec l'évolution du Produit National Brut en prix constants 1947	
	Corrélation tendancielle	Corrélation différentielle	Corrélation tendancielle	Corrélation différentielle
1929—1953 (sans décalage)	$+0{,}166\ \frac{(14—10)}{24}$	$+0{,}083\ \frac{(13—11)}{24}$	$+0{,}416\ \frac{(17—7)}{24}$	$+0{,}083\ \frac{(13—11)}{24}$
1929—1953 (avec décalage d'une année) . . .	$+0{,}391\ \frac{(16—7)}{23}$	$-0{,}304\ \frac{(8—15)}{23}$	$+0{,}565\ \frac{(18—5)}{23}$	$+0{,}130\ \frac{(13—10)}{23}$
1934—1953 (sans décalage)	$+0{,}30\ \frac{(13—7)}{20}$	$+0{,}20\ \frac{(12—8)}{20}$	$+0{,}70\ \frac{(17—3)}{20}$	$0\ \frac{(10—10)}{20}$
1934—1953 (avec décalage d'une année) . .	$+0{,}473\ \frac{(14—5)}{19}$	$-0{,}368\ \frac{(6—13)}{19}$	$+0{,}684\ \frac{(16—3)}{19}$	$+0{,}157\ \frac{(11—8)}{19}$
1°. Augmentation tendancielle des dépenses publiques en prix courants: 19 années (a) . .	$+0{,}368\ \frac{(13—6)}{19}$		$+0{,}368\ \frac{(13—6)}{19}$	
2°. Augmentation différentielle des dépenses publiques en prix constants: 12 années (b) . .		$+0{,}166\ \frac{(7—5)}{12}$		$-0{,}166\ \frac{(5—7)}{12}$
3° Diminution tendancielle des dépenses publiques en prix constants: 5 années (c) . .	$-0{,}60\ \frac{(1—4)}{5}$		$+0{,}60\ \frac{(4—1)}{5}$	
4°. Diminution différentielle des dépenses publiques en prix constants: 12 années (d) .		$+0{,}166\ \frac{(7—5)}{12}$		$+0{,}50\ \frac{(9—3)}{12}$

(a) 19 années: 1930—31, 1933—36, 1938—44, 1948—53

(b) 12 années: 1930—31, 1933—34, 1936, 1938, 1941—42

(c) 5 années: 1932, 1937, 1945—47

(d) 12 années: 1932, 1935, 1937, 1939—40, 1943—46

Corrélation tendancielle et différentielle des Dépenses Publiques en prix courants avec l'évolution des Prix et avec l'évolution du Produit National Brut en prix constants 1947.

Périodes	Corrélation des Dépenses Publiques en prix constants avec l'évolution des prix		Corrélation des Dépenses Publiques en prix constants avec l'évolution du Produit National Brut en prix constants 1947	
	Corrélation tendancielle	Corrélation différentielle	Corrélation tendancielle	Corrélation différentielle
1929—1953 (sans décalage)	$+ 0{,}166 \frac{(14—10)}{24}$	$+ 0{,}166 \frac{(14—10)}{24}$	$+ 0{,}416 \frac{(17—7)}{24}$	$+ 0{,}166 \frac{(14—10)}{24}$
1929—1953 (avec décalage d'une année) . . .	$+ 0{,}391 \frac{(16—7)}{23}$	$— 0{,}391 \frac{(7—16)}{23}$	$+ 0{,}565 \frac{(18—5)}{23}$	$+ 0{,}043 \frac{(11—12)}{23}$
1934—1953 (sans décalage)	$+ 0{,}30 \frac{(13—7)}{20}$	$+ 0{,}30 \frac{(13—7)}{20}$	$+ 0{,}70 \frac{(17—3)}{20}$	$+ 0{,}10 \frac{(11—9)}{20}$
1934—1953 (avec décalage d'une année) . .	$+ 0{,}473 \frac{(14—5)}{19}$	$— 0{,}473 \frac{(5—14)}{19}$	$+ 0{,}684 \frac{(16—3)}{19}$	$+ 0{,}052 \frac{(10—9)}{19}$
1°. Augmentation tendancielle des dépenses publiques en prix courants: 19 années (a) . .	$+ 0{,}368 \frac{(13—6)}{19}$		$+ 0{,}368 \frac{(13—6)}{19}$	
2°. Augmentation différentielle des dépenses publiques en prix courants: 11 années (b) . .		$+ 0{,}272 \frac{(7—4)}{11}$		$— 0{,}091 \frac{(5—6)}{11}$
3°. Diminution tendancielle des dépenses publiques en prix courants: 5 années (c) . .	$— 0{,}60 \frac{(1—4)}{5}$		$+ 0{,}60 \frac{(4—1)}{5}$	
4°. Diminution différentielle des dépenses publiques en prix courants: 13 années (d) .		$+ 0{,}0769 \frac{(7—6)}{13}$		$+ 0{,}385 \frac{(9—4)}{13}$

(a) 19 années: 1930—31, 1933—36, 1938—44, 1948—53

(b) 11 années: 1930—31, 1933—34, 1936, 1938, 1941—42, 1947—48, 1951

(c) 5 années: 1932, 1937, 1945—47

(d) 13 années: 1932, 1935, 1937, 1939—40, 1943—46, 1949—50, 1952—53

ESSAY ON DETERMINING THE ACTION OF PUBLIC EXPENDITURES ON ECONOMIC TRENDS

by: François Visine

SUMMARY

1. This article is the third of a series of studies on Public Finances (the second: „Meaning and use of fiscal statistics" was published recently in „Public Finance" No. 1, 1955).

2. In the absence of general statistical data covering a long period of time in a great number of countries, the author refers himself more particularly to American statistics (1929—1953). He endeavours to see whether it is possible to detect a relation between public expenditures and economic trends.

3. Without taking position on one or the other of the existing theories (liberal and Keynesian) he considers, *in the first part,* the preliminary problem of a possible correlation between the movement of prices and the movement of the national product, and of the interdependence of inflation and prosperity on the one hand, and deflation and depression on the other:

— The use of correlation indices enables him to conclude that the correlation between inflation — prosperity and deflation — depression is far from being absolute.

4. Then the author addresses himself to the question of the statistical method. According to him, the use of tendential and differential correlation is absolutely required when studying the relation of public expenditures and economic trends. This question will be approached from three different angles (correlation between public expenditures at current prices, constant prices and ratio of public expenditure — gross domestic demand with prices and national product).

5. *In the second part,* he makes an analysis of the dual correlation (tendential and differential) observed between public expenditure and prices, and public expenditure and national product.

Using various combinations which show more clearly the possibility of action of public expenditure on prices and examining immediately afterwards the public expenditures — economic activity correlation, he is led to conclude that the action of the public expenditure can be easily counteracted or activated by other phenomena.

6. *In the third and most important part,* he tries to draw lessons from the correlations he has observed. He advocates:

— great prudence as to the conclusions (the structure of the American public expenditure is different from what it is in other countries and in France in particular)

and recognises

— the complexity of the lessons to be drawn.

However, we can say positively that *it is as absurd to claim that the public expenditures have no action on the economic trends as it would be to claim that they explain them fully.*

Then the author studies three problems:

A - *The possible action of public expenditures on the economic trends*

The public expenditures constitute a demand which has an effect on prices and production, as is shown in the statistics; but the latter show also that the public expenditures — prices and public expenditures — national income correlation indices are very low, which brings the author to study the phenomena which limit the action of public expenditures on the action of public expenditures on the economic trends.

B - *The endo-genous limits to the action of public expenditures on economic conditions*

Several elements should be considered:

— *importance of public expenditures and of their variations.* It seems that the higher public expenditures and the greater their variations, the more certain is the action of public expenditures on economic trends.

— *structure of these expenditures* (this point is illustrated by a description of the case of the automobile industry in the U.S.A.).

— *the method of financing of these expenditures.* The author insists more particularly on the part played by the financing of public expenditures because the action of public expenditures on economic trends is closely dependant on the methods of financing of these expenditures (whether it be financing through money inflation, loans or taxes).

C - *The exo-genous limits to the action of public expenditures on economic conditions*

Although use has been made of a mobile basis index and differential correlation has been added to tendential correlation, it has been impossible to eliminate the influence of all the external factors. Among the latter, he points out:

1. intervention of Public Authorities, not recorded in the public expenditures.

2. autonoumous behaviour of the private sector, to which could be added the reaction to the budgetary policy.
3. monetary phenomena.
4. international transactions.
5. psycho-political phenomena.
6. exceptional circumstances.

8. The author, in his conclusions,

1. leaves aside any extreme theory which would attribute to the budgetary policy all the good or bad sides of the economic trends.

2. recalls once more that the action of public expenditures on economic trends is subject to certain internal limitations, the most important of which is certainly the financing of these expenditures.

and 3. stresses again the fact that any theory that would make inflation inseparable from expansion and deflation from depression is excessive.

9. The study is supplemented by three annexes showing the whole of the statistical data on which the author based his conclusions. cf. Annex I (French statistics 1949—54), Annexes II and III (American statistics, 1929—53).

BUDGETARY POSITION OF THE GOVERNMENT OF INDIA SINCE INDEPENDENCE [1])

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India became independent on August 15, 1947. The independence was accompanied by multifarious problems of which rehabilitation of refugees from Pakistan, acute food shortage and inflation were of immediate importance. These problems were the legacy of the country's partition and the Second World War. The earlier budgets of the Government of India were perforce of a defensive nature and were actuated to combat the inflationary pressures of the transitional period. They were steered, to some extent, to restore and increase incentives for saving, investment and work. In conformity with this policy the taxes on commodities were enhanced. The drawing up of the first Five Year Plan in 1951 was a concerted step towards the initiation of a process of economic development by a gradual increase in the activities of the public sector and its coordination with the expanding private sector. This was a strategic step towards the harmonious blending of short term and long term measures of economic development. Although fresh tax avenues were tapped, the increasing burden of developmental finance necessitated large scale borrowing and deficit financing. For the first time in the history of Indian public finance the Government budget came to be linked with the economic conditions prevailing in the country. It became a lever for economic development, for a balanced regional development, for checking the imbalance of the payments position, and, more generally for economic translation of the social goal of an egalitarian pattern of society.

Immediately after independence the country's budgets were consistently deficit without being developmental in any large measure. A short interval of buoyancy in the Revenue Account due to the Korean war boom was succeeded by the usual picture of deficit budgets. The table I shows that from 1947—48 to 1955

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[1]) This article contains the substance of the thesis "Budgetary Position of the Government of India since 1947" submitted under the guidance of Dr. M. D. Joshi for the degree of Ph. D. at the University of Lucknow. I am much indebted to Dr. Joshi, and also to Prof. Baljit Singh for the suggestion to take up research in the economics of public finance.

Table I

OVER-ALL BUDGETARY POSITION OF THE GOVERNMENT OF INDIA

Sources: Budgets of the Government of India; R.B.I., Reports on Currency and Finance.
(In crores of Rs).

	Surplus (+) or Deficit (—) on the Revenue Account	Surplus (+) or Deficit (—) on the Capital Account	Misc. Account (net)	Overall Budgetary Position	Opening Cash Balances
1947—48 (7½ months)	— 6.52	—133.41	+29.25	—110.68	270.30
1948—49	+ 50.84	—167.48	+34.97	— 81.67	273.90
1949—50	+ 33.27	— 80.05	+ 2.98	— 43.80	193.28
1950—51	+ 59.22	— 62.04	+15.26	+ 12.44	149.50
1951—52	+128.09	—124.39	— 2.79	+ 0.91	161.78
1952—53	+ 38.93	— 94.24	— 8.23	— 63.54	162.68
1953—54	+ 8.50	— 69.84	+ 0.05	— 61.29	99.14
1954—55 (R.E.) . .	— 5.00	+ 17.87	— 0.71	+ 12.16	37.85
1955—56 (B.E.) . .	— 17.35	+ 30.31	+ 0.14	+ 13.10	50.01

Notes. I. Misc. Account includes misc deposits and advances remittances etc.
II. One crore is equal to 10 millions.

—56 (B.E.), the aggregate deficits, both on Revenue and Capital Accounts, amounted to about Rs 361 crores against aggregate surpluses of a little less than Rs 39 crores during the same period, showing an overall deficit exceeding Rs 322 crores. It may be mentioned that the deficits on Capital Account during this period are over Rs 683 crores. The surpluses in the Revenue and Misc. Accounts which amounted to Rs 362 crores were responsible for reducing the size of over-all deficit to Rs 322 crores. Since the outlay on Capital Account is generally of developmental character, it is a contribution to the economic strength of the country.

The budgets of the Government of India are principally composed of Revenue and Capital Accounts. The items included under the Revenue Account are generally of current nature. Main sources of revenues on Revenue Account are taxation of incomes and corporations, customs and the Union excise duties which constitute the tax revenue, and the receipts of commercial and admnistrative services constituting the non-tax revenue. The total revenues of the Union Government, table II shows, were Rs 371.70 crores in 1948—49 (first complete fiscal year of independence) and were expected to be Rs 481.58 crores in 1955—56 (B.E.), of which tax revenues accounted for Rs 319.94 crores and Rs 419.91 crores, respectively, both accounting for about 86 per cent of total revenue. On account of the Korean war boom the total revenue of the Government of India was Rs 515.36 crores in 1952—52, of which tax revenue accounted for 459.99 crores, forming about 89 per cent of the total revenue. It shows that the tax revenue has formed about 5/6th. of the total revenue of the Government of India during this period.

An analysis of the tax revenues, since independence, shows that there has been a decrease in the percentage contribution of the direct taxes (income and corporation taxes) from 43.8 in 1948—49 to 28.1 in 1955—56 (B.E.) of the total tax revenues accruing to the Government of India. This decrease has been due to: (a) an increase in the net income tax share payable to the States, from 50 to 55 per cent in 1952—53 on the recommendation of the Finance Commission; (b) a considerable reduction in the collection of arrears of discontinued taxes like Business Profits Tax, Excess Profits Tax and Capital Gains Tax; (c) raising of the minimum exemption limit from Rs 2500 to Rs 4200; and (d) fall in the profits of industry and trade in the post-Korean war boom.

The yield of the direct taxes in India is not very substantial due to the fact that mass of the population remains untouched on account of low level of per capita income and a comparatively

Table II

REVENUES OF THE GOVERNMENT OF INDIA ON REVENUE ACCOUNT

Source: Budgets of the Government of India.

(In crores of Rupees)

	I Tax Revenues								II Non-Tax Revenues				III Total Revenue
	Taxes on incomes and corporations	(1) as %afe of (7)	Customs duties	(3) as %age of (7)	Excise duties	(5) as %age of (7)	Total	(7) as %age of (13)	Admin. and Other receipts	Public enterprises receipts	Total	(11) as %age of (13)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1947—48 (7½ months)	85.26	49.0	72.48	44.7	24.26	14.1	172.05	90.7	13.77	2.95	16.72	9.3	178.77
1948—49 . . .	139.97	43.8	126.16	39.4	50.65	15.8	319.94	86.1	30.66	21.10	51.76	13.9	371.70
1949—50 . . .	115.37	37.0	124.71	40.0	67.90	21.8	311.54	88.9	19.08	19.77	38.85	11.1	350.39
1950—51 . . .	125.70	35.2	155.06	43.4	67.54	19.1	357.00	86.9	30.50	23.16	53.66	13.1	410.66
1951—52 . . .	134.74	29.3	232.33	50.5	85.78	18.9	459.99	89.3	34.39	20.98	55.37	10.7	515.36
1952—53 . . .	128.25	33.1	174.04	45.0	83.03	21.5	387.06	89.0	31.44	16.61	48.05	11.0	435.11
1953—54 . . .	107.09	29.5	158.13	43.2	94.98	26.2	363.28	87.3	31.07	21.63	52.70	12.7	415.98
1954—55 (R.E.) .	109.04	27.6	178.40	45.2	103.65	26.3	395.01	87.6	30.37	25.70	56.07	12.4	451.08
1955—56 (B.E.) .	116.73	28.1	163.50	39.4	132.27	31.7	415.91	86.0	39.52	26.15	65.67	14.0	481.58

Note i. The figures are net and excludes the share of the State Governments except for the share of exise duties which is included since 1952—53 in colums (5), (7) and (13).

ii. Also see note i of table III.

high level of exemption limit. There seems to be some scope of increasing the yield of direct taxes. Large revenue may not be expected from this source during the first stage of development but coverage can be gradually expanded by lowering the exemption limit, by raising the rates of tax on lower and middle brackets of incomes and by extending the full-fledged tax-rates on incomes and corporations to Part B and Part C States. Techniques of tax collection also need improvement by methods such as collection of taxes at source in the case of employees and use of schedular system for self-employed shopkeepers and others, whereby taxes may be assessed as a fixed percentage of gross turnover, unless the tax payer produces relevant books. Capital Gains Tax may also be levied in the case of abonrmal profits which may crop up on account of developmental expenditure being financed partly by deficit financing. Some capital gains for tax purposes can be reached through an annual net-worth tax based upon the sales value of assets held by the tax payer. The standardisation of bookkeeping methods and unifications of business for tax purposes are to be instituted. The business concerns should be encouraged to make use of banking institutions as bank accounts facilitate tax collection. Though it is difficult to specify any rate above which taxes will produce disincentive effects but care has to be taken that tax system does not impair incentives. Industries should be encouraged to plough back their profits for expansion and development by suitable tax measures. The implementation of this policy requires careful economic analysis and planning, skillful structuring of taxes, competent tax administration and conditions of tax compliance.

Revenue from commodity taxes amounted to Rs 176.81 crores in 1948—49 and is expected to be Rs 295.87 crores in 1955—56, constituting 55.3 per cent and 71.2 per cent, respectively, of the total tax revenue of the Government of India. Revenue from customs duties, table II shows, increased from Rs 126.16 crores to Rs 16350 crores in the same period. It however formed 39.4 per cent of the total tax revenue in 1955—56 as well as in 1948—49. The revenue from this source in 1951—52 was at peak and formed 50.5 per cent of the total tax revenue. In the context of efforts being made for the development of the country there does not seem to be much scope to expect any large increase from customs duties in the near future on account of balance of payments difficulties, necessity of protecting domestic growing industries from foreign competition, greater emphasis on import of capital goods which are given tax holiday or are subjected to light duties, and decline in the export of raw material being used for home industries. It should also be kept in mind that the yield from

costoms duties is subject to fluctuations of the world market.

The revenue from excise duties, table II shows, increased from Rs 50.65 crores in 1948—49 to Rs 132.27 crores in 1955—56 (B.E.) and formed 15.8 per cent and 31.7 per cent, respectively, of the total tax revenue. The development of domestic industrial production has made it possible to obtain larger revenue by levying excise duties on articles of mass consumption. The scope of the excise duties has been enlarged and now they touch varied nature of commodities. They have proved an important method of taxing small incomes which direct taxes fail to tap. Though excise duties are generally regressive in effect but by discriminating between essential and non-essential consumption it is possible to introduce an element of equity and progressivity, in some measure, in the structure of excise duties.

The non-tax revenue of the Government of India increased from Rs 51.76 crores in 1948—49 to Rs 65.67 crores in 1955—56 (B.E.), of which administrative receipts accounted for Rs 30.66 crores and Rs 39.52 crores, respectively. The revenue from public enterprises (railways, posts and telegraphs, currency and mint, opium, etc.) increased from Rs 21.10 crores to Rs 26.15 crores in the same period. The revenue from non-tax sources has not shown any significant increase. Whether in future the state undertakings are likely to bring larger revenue would depend on the nature of enterprises brought within the public sector, the pricing policy, and the efficiency with which these enterprises are run. Although revenue is not always the major consideration in public enterprises but it seems necessary that state enterprises should be put on sound financial footing, and some of them should be operated as fiscal monopolies with a view to bring maximum net revenue. Much will depend on the availability of technicians and efficiency and integrity of the management.

It may be seen from table III that the expenditure on Revenue Account increased from Rs 320.86 crores in 1948—49 to Rs 498.23 crores in 1955—56 (B.E.). Two main components of this expenditure are civil expenditure and defence expenditure. Civil expenditure increased from Rs 174.81 crores to Rs 296.25 crores during this period. It constituted 54.5 per cent in 1948—49 and 59.4 per cent in 1955—56 (B.E.), of the total expenditure. Civil expenditure of the Government of India has been classified as non-development, economic development, social services and grants-in-aid. The non-development expenditure (debt services, civil administration, direct demands on revenue, etc.) increased from Rs 143.72 crores in 1948—49 to Rs 155.27 crores in 1955—56 (B.E.). As a percentage of total civil expenditure, however, it declined from 82.3 in

Table III

EXPENDITURE OF THE GOVERNMENT OF INDIA ON REVENUE ACCOUNT

Source: Budgets of the Government of India.
(In crores of Rupees)

	I Civil Expenditure						II Defence Expenditure						Total (I) + (II)
	Non-development	Economic development	Social services	Grants-in-Aid	Total	(5) as %age (of 13)	Army	Navy	Air Force	Non-effective charges	Total	(11) as %age (of 13)	
	(1)	(2)	(3)	4	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1947—48 (7½ months)	72.94	11.08	4.20	0.44	98.66	53.2					86.63	46.8	185.29
1948—49 . . .	143.72	19.21	8.93	2.96	174.81	54.5	117.75	4.39	8.21	13.70	146.05	45.6	320.86
1949—50 . . .	135.89	18.44	11.29	2.96	168.26	53.1	117.53	6.49	11.19	13.65	148.86	46.9	317.12
1950—51 . . .	130.89	26.23	14.62	15.59	187.31	53.3	131.72	7.26	10.29	14.85	164.13	46.7	351.44
1951—52 . . .	155.16	26.50	17.36	17.31	216.31	55.9	134.71	7.36	14.98	13.91	170.96	44.1	387.24
1952—53 . . .	154.21	25.99	16.66	20.80	216.66	52.7	141.73	8.30	14.89	14.60	179.52	47.3	396.18
1953—54 . . .	143.85	32.40	19.02	25.91	221.18	54.3	134.17	10.05	27.44	14.65	186.30	45.7	407.48
1954—55 (R.E.) .	158.67	37.41	29.91	32.06	258.06	56.6	140.79	11.20	30.77	15.26	198.02	43.4	456.08
1955—56 (B.E.) .	155.27	61.48	43.58	35.93	296.25	59.4	140.02	12.29	34.48	15.89	202.68	40.6	498.93

Notes. i. For the years 1950—51, 1951—52, Part C States budgets were included in the budget of the Government of India, and for later years except for Bilaspur, Kutch, Manipur, and Tripura, their budgets have been excluded as they presented their budgets to their respective legislature.

ii. Expenditure on defence given in the table is net and various components expenditures have been arrived at by deducting the defence receipts from the respective expenditures.

1948—49 to 52.4 in 1955—56 (B.E.). Various reports submitted by the Public Accounts Committee and Estimates Committee to the Parliament of India reveal that there is scope for greater scrutiny and economy drive in this expenditure.

The economic development expenditure (rural development, industries, civil works, commercial services, etc.) on Revenue Account increased from Rs 19.21 crores in 1948—49 to Rs 61.48 crores in 1955—56 (B.E.) and constituted 10.8 per cent and 20.6 per cent, respectively, of the civil expenditure of the Government of India. The expenditure on social services (education, medical and health, broadcasting, & scientific departments) increased from Rs 8.93 crores in 1948—49 to Rs 43.48 crores in 1955—56 (B.E.) and constituted 2.8 per cent and 9.6 per cent, respectively, of the civil expenditure. It may be mentioned that socio-economic development of the community under the Republican Constitution has been entrusted to the States and the outlay of the Union Government is mainly concerned with coordination and financing of some of the Central Universities and research institutions. The current accepted goal in India of socialistic pattern of society requires that the expenditure on these services should be increased further in order to develop human and material resources and to reduce disadvantages aristing from inequality of incomes. This implies that the Union Government should take necessary financial and other measures to make the State Governments to increase the tempo of social services in their jurisdictions.

Grants-in-aid has formed an important fiscal measure for assisting the State Governments for financing developmental projects in recent years. Grants-in-aid on Revenue Account increased from Rs 2.96 crores in 1948—49 to Rs 35.93 crores in 1955—56 (B.E.). (See table III). The grants are given to the States to correct inter-regional disparities in resources, to extend federal financial control and to coordinate essential welfare services on a national scale. The increase in grants, both general and specific, illustrates that harmony between Centre and States exists in respect of economic objectives.

Expenditure on defence, table III shows, increased from Rs 146.05 crores in 1948—49 to Rs 202.68 crores in 1955—56 (B.E.). It has been felt by the various Finance Ministers of India that the expenditure is disproportionately large and needs reduction, but the existence of certain national and international factors does not permit it at the present moment. Much of the increase in defence expenditure is associated with the expansion in Navy and Air Force necessary to make the Indian Army a well balanced force. However, it seems that some economies can be effected by

Table IV

RECEIPT AND DISBURSEMENTS OF THE GOVERNMENT OF INDIA ON CAPITAL ACCOUNT

Source: Budgets of the Government of India

(In crores of Rupees)

	Receipts				Disbursements			
	New loans	Treasury bills	Others *)	Total	Non-development outlay	Development outlay	Discharge of permanent debt and loans to states	Total
1947—48 (7½ months)	141.89	10.00	—43.12	7,83	0,79	56.10	84.35	141.24
1948—49 . . .	55.04	251.78	71.31	378.13	353.73	55.26	136.62	545.61
1949—50 . . .	40.45	— 8.60	150.16	182.01	71.72	50.99	139.15	262.06
1950—51 . . .	38.09	16.10	65.36	120.55	13.63	57.40	111.56	182.59
1951—52 . . .	111.30	— 43.69	101.43	169.04	63.43	54.75	175.25	293.43
1952—53 . . .	33.65	0.95	35.17	69.77	7.33	31.79	124.89	164.04
1953—54 . . .	76.83	19.66	141.53	238.02	—22.00	46.18	283.68	307.86
1954—55 (R.E.)	160.96	220.00	148.00	528.96	72.87	105.67	332.55	511.09
1955—56 (B.E.)	141.89	340.00	185.65	667.54	73.81	149.49	413.93	637.23

*) Includes Treasury Saving Deposits Certificates, unfunded debts, Railways funds, Appropriation for reduction or avoidance of debt, E.P.T. and Income tax deposits, Repayment of loans Development Funds, etc.

better conservation and utilisation of staff, reduction in the scales of consumption, avoidance of wastes, overhauling the entire administrative framework and economy in the purchase of stores. The use of army technical personnel during peace time for civil purposes can also decrease the net expenditure on defence. An economy in defence expenditure would make available larger funds for developmental outlays and social services.

An analysis of the expenditure of the Government of India shows that there has not been any significant departure from the past, if the trends in expenditure are judged from the point of view of modern fiscal theory and policy. However, efforts are being made to emphasise the welfare and developmental aspects in the economy. Attempts are also being made to curb down corruption, inefficiency and waste in the public sector by economy drives in the non-productive services.

The Capital Budget of the Government of India was segregated in 1946—47 in order to provide a better economic analysis of the public sector, especially in the measurement and programming of the Government's contribution to the capital formation. It includes all receipts and disbursements of capital nature. The receipts and disbursements on Capital Budget, table IV shows, amounted to Rs 378.13 crores and Rs 545.61 crores, respectively, in 1948—49, and Rs 667.54 crores and Rs 637.23 crores in 1955—56 (B.E.), respectively. The table also reveals that during this period an endeavour was made to alter the magnitude of receipts and disbursements according to the condition of the economy as judged by such criteria as the level of prices, balance of payments position, the position of capital market and employment.

The table I shows that since 1947—48, the Government of India has drawn heavily on its cash balances which stood at Rs 270.30 crores in 1947—48. In 1955—56 (B.E.) it was expected to be Rs 63.11 crores. In view of the stringencies in the capital market, in the early years of independence and obstacles to raise the required revenue from tax sources, a convenient way for the Government was to resort to its cash balances to finance budgetary deficits. Although cash balances' position has deteriorated but in view of the utilisation of cash balances mainly for productive purposes, this method of financing has ample justification.

Public debt position of the Government can be regarded as satisfactory. From the table V, it may be seen, that, whereas the interest bearing obligations of the Government of India have increased from Rs 2382 crores in 1947 to Rs 3509 crores in 1956, i.e. by 50 per cent, the interest yielding assets have increased from Rs 1001 crores to Rs 2668 crores during this period, i.e. by 260

per cent. The unproductive debt has shown a decline from Rs 867 crores to Rs 775 crores in the same period and in terms of percentage it accounted for 36.4 in 1947 and 22.1 in 1955, of the total debt of the Goverment of India. The servicing charges have decreased from 13.4 per cent in 1947 to 8 per cent in 1955, of the total expenditure on Revenue Account. The national debt forms only a quarter of the national income. All these are signs of sound debt position of the Government of India with little strains and no evidence of over-borrowing.

Table V

DEBT POSITION OF THE UNION GOVERNMENT

(Crores of Rupees)

	Interest bearing obligations (1)	Interest yielding assets (2)	Cash and securities held on Treasury Account (3)	Uncovered debt (4)	(4) as %age of (I) (5)
1946—47 . . .	2381.9	1001.2	513.8	867.0	36.4
1948—49 . . .	2455.8	1431.1	235.8	788.9	32.1
1949—50 . . .	2512.9	1521.4	173.0	818.6	32.1
1950—51 . . .	2561.5	1681.2	142.0	738.3	28.8
1951—52 . . .	2619.7	1781.2	198.7	639.8	24.4
1952—53 . . .	2645.7	1862.9	136.2	644.7	24.4
1953—54 . . .	2694.6	2003.8	70.4	620.4	23.1
1954—55 (R.E.)	3039.2	2266.1	65.4	707.7	23.3
1955—56 (B.E.)	3508.8	2667.9	65.7	775.2	22.1

Since independence the Indian economic conditions have shown progressive improvement especially since the implementation of the first Five Year Plan in 1951. It has been estimated that the national income of the country has increased by about 18 per cent during the first Plan period. It is expected to rise by about 25 per cent by the end of the second Five Year Plan period. The first Plan laid down the foundations for progressive and diversified economy, and the second Plan has envisaged a more rapid growth of the national economy. On the whole, war time stresses and strains have ended, and new social and economic forces have set in to remould the structure of the country's economy and life of the people.

Thus, from the point of view of the coordinated budget, position of cash balances, public debt position, national economic conditions

and modern budgetary theory and policy, the budgetary position of the Government of India is satisfactory on the whole. It may, however, be mentioned that this position has been achieved since the inception of the first Five Year Plan.

The accounts of the Union Government do not permit a sound economic analysis. The distinction between the Revenue and Capital Accounts is not strictly observed and there is either over-itemization or no itemization at all. The Government accounts lack social accounting approach and comprehensiveness. The control of Parliament over the finances of the country is inadequate. External financial control exercised by the Audit Department has also not been of substantive effect. There is need for strengthening the internal financial control through the Union Ministry of Finance. In view of the canons of modern budgetary technique, the budget of the Government of India should be framed in the background of an Economic Plan, with a long period scheme in broad outline and annual operating programme in detail. The former may be basically one of policy and latter fundamentally one of finance. One major handicap to those who wish to analyze the budgetary position realistically is the nonavailability of requisite statistical data pertaining to the various aspects of national economy. This lacuna has to be removed. If planned economic development is to succeed, a start will have to be made, at the earliest, in the formulation of 'social account budgeting', particularly when the Government of India have chalked out a policy of mixed economy where public and private sectors of outlay and output relate to common resources and common goals.

The concept of the government budget has of late become a key to the explanation and understanding of national economy, and an important tool for its development. In the context of the role of public finance in the programme of economic planning in India, the concept of government budget has gradually begun to play its part. But the potentialities of this apparatus of economic analysis have been far from fully tapped, both theoretically and empirically, in the Indian public finance.

LE PROBLEME DES INVESTISSEMENTS

PAR M. MAURICE POLTI

Paris

Cette année, „la Commission économique pour l'Europe" a consacré son rapport aux investissements, ce qui suffit à montrer l'importance et l'actualité de ce problème. Mais avant d'analyser ce rapport et d'en tirer principalement les expressions concrètes pour les différents pays, nous nous efforcerons de dégager quelques notions simples de cette notion d'investissements qui est souvent si mal comprise.

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La première difficulté est de définir le mot „investissement" dont la signification ne semble pas être exactement la même dans les différents pays ni même dans l'esprit des économistes d'une même nation.

Par investissement, il faut, croyons nous entendre des placements de fonds qui ont pour objectif de créer des biens ou des services.

Ils ont, d'ailleurs, des buts très différents: les uns visent à accroître la production et, pour cette raison, ils sont dénommés „productifs" (ex: la construction d'une usine ou d'un barrage hydro-électrique, l'achat de matériel et d'outillage, ou encore la constitution de stocks). Les autres, qui n'ont pas cet objet, sont appelés „improductifs"; ce sont notamment des constructions de bâtiments administratifs, d'écoles ou de routes.

Les investissements faits par l'Etat sont souvent improductifs: sans doute, une route nouvelle pourra-t-elle contribuer à développer la production dans une région déterminée. Mais on ne saurait prétendre que l'argent consacré à sa construction soit destiné à produire des revenus, tout au moins directement (sauf pour des autos-routes à péages).

Au contraire, les investissements réalisés par les sociétés ont, le plus souvent, un caractère productif — mais pas toujours. Tel n'est pas le cas par exemple de la construction d'un immeuble pour loger le personnel ou l'aménagement de terrains de sports.

La distinction entre les investissements productifs et improductifs est souvent subtile. Quid, par exemple, en ce qui concerne un placement en valeurs mobilières? Il faut, croyons-nous, distinguer: la souscription à une augmentation de capital ou à une émission d'obligations, est bien un investissement productif, car les fonds reçus

par la Société sont, en principe destinés à accroître sa capacité de production. Au contraire, l'achat de valeurs mobilières n'est pas, à notre avis, un investissement productif. Sans doute, le particulier qui fait cet achat a-t-il un sentiment différent; et c'est peut-êre vrai pour sa petite sphère personnelle; il ne fait pas une dépense de consommation; il accroît son patrimoine; mais, au regard de l'économie générale, cet achat ne permet pas de créer une richesse nouvelle. Peu importe, à ce point de vue, que le détenteur de capitaux soit Mr X ou Mr Y. La production ne sera pas, du fait de cette mutation, augmentée d'un centime. Ce placement privé n'est pas un investissement national. Et il en est de même de l'achat d'un terrain ou d'un immeuble.

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La seconde question qui se pose est de savoir comment les investissements sont financés.

Il faut évidemment distinguer suivant qu'ils sont faits par l'État ou par les entreprises privées; et cette observation est valable pour tous les pays qui jouissent d'un régime démocratique.

Les premiers — ceux de l'État — ne peuvent être financés que par l'impôt ou par l'emprunt ou encore par une inflation de billets de banque.

En France, les gouvernements eurent tendance, après la guerre, à recourir surtout à l'impôt. Mais l'expérience montra qu'il était vain de recourir à des impôts, alors qu'il existait un gros déficit budgétaire qu'on ne pouvait couvrir que par l'emprunt. D'autre part, l'impôt a le grave inconvénient de faire supporter à la seule génération actuelle le coût d'investissements dont les bénéficiaires seront surtout les générations futures, alors que l'emprunt, dont la charge est étalée sur le nombreuses années, apparaît socialement beaucoup plus juste. C'est pourquoi l'État recourt actuellement surtout à l'emprunt pour financer ses investissements.

Quant aux investissements réalisés par des entreprises privées, ils ont, financièrement, deux origines principales: les uns proviennent de concours extérieurs, sous forme, principalement, d'émissions d'actions et d'obligations ou encore d'emprunts consentis par des banques ou établissements financiers. Les autres sont tirés par l'entreprise de sa propre substance: c'est essentiellement l'emploi de bénéfices non distribués, autrement dit l'autofinancement. Dans la plupart des pays, dont la France, les statistiques officielles font état des „investissements bruts", dans lesquels sont en outre englobés les amortissements. Cette inclusion nous paraît être une erreur économique. En effet, les amortissements correspondent, lorsqu'ils

sont exactement calculés, à une diminution de valeur d'éléments d'actifs. Ils doivent normalement permettre de remplacer l'ancien matériel usagé par du nouveau, ce qui, en principe, ne comporte pas une augmentation de l'actif net de l'affaire. C'est pourquoi, la notion d'investissements nets nous paraît très préférable.

Il est intéressant de rechercher dans quelles mesures les entreprises ont eu recours à ces divers procédés.

Certaines statistiques officielles [1]) nous apprennent qu'en France les solutions ont été très variables suivant l'importance des entreprises et spécialement selon le montant de leurs chiffres d'affaires. On en jugera par le tableau ci-dessous:

PART (en %) DES DIFFERENTS MODES DE FINANCEMENT DES INVESTISSEMENTS EN 1955.

Entreprises dont le chiffre d'affaires est (en millions de frs)	Auto-finance-ment	Crédits bancaires	Marché financier	Fonds publics et assimilés
Inférieur à 100	62	37	1	0
compris entre 100 et 200	59	38	1	2
compris entre 200 et 1.000	61	30	3	6
compris entre 1.000 et 5.000	60	31	5	4
Supérieur à 5.000	46	18	31	5
Moyennes générales	50	22	23	5

Ce tableau montre nettement:

1) que le principal mode de financement des investissements industriels est l'autofinancement. Il représente à lui seul, en moyenne, autant que les trois autres réunis. Son rôle est même d'autant plus grand qu'il s'agit d'entreprises de moindre importance. Cela s'explique aisément puisque, pour ces entreprises, le recours aux autres procédés est beaucoup plus difficile. Aussi bien est-ce le meilleur procédé pour une petite affaire qui a l'ambition de devenir importante;

2) que le recours au marché financier est presque exclusivement pratiqué par les grosses entreprises — ce qui se conçoit facilement. Mais même pour elles, ce recours à l'épargne est plus modeste qu'on pourrait le croire. Il est certainement très inférieur à ce qu'il était avant la première guerre mondiale, observation étant faite que, par rapport à cette époque, le volume des investissements a certainement beaucoup augmenté en comparaison du revenu national. L'État

[1]) Voir étude de l'Institut national de la Statistique et des études économiques (INSEE) „Etudes et conjoncture" N° de mars 1956.

n'assumait pas alors un rôle aussi vaste qu'aujourd'hui: les grandes entreprises étaient beaucoup moins nombreuses et la fortune était concentrée en un nombre beaucoup plus limité de capitalistes dont les revenus disponibles étaient souvent abondants et en quête d'emploi.

Ces chiffres et proportions sont seulement valables pour la France. Nous ne possédons pas de statistiques concernant les autres pays d'Europe occidentale et d'Amérique. Mais on peut croire que ces observations seraient sensiblement du même ordre.

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Quelle que soit leur origine (publique ou privée), quelle que soit même leur destination (productive ou non), il est évident que les investissements ont, pour chaque pays, un intérêt considérable, tant au point de vue économique que social.

Au point de vue économique, ils constituent le meilleur moyen d'accroître la production. Ils sont, non seulement un signe de richesse nationale (car un pays trop pauvre peut difficilement y procéder), mais aussi un acte de foi dans l'avenir. Stimulés par une politique économique adéquate, ils se développent lorsque l'État donne aux chefs d'entreprises de bonnes raisons de croire à une conjoncture ascendante et continue, lorsqu'il fait régner une confiance générale dans l'accroissement de la prospérité. En outre, les sommes investies deviennent un capital qui sera générateur de richesses futures, alors que celles qui sont dépensées en biens de consommation procurent seulement un agrément immédiat. Tout peuple qui n'a pas le courage d'investir et d'entreprendre rétrograde dans la compétition internationale. Tout peuple, au contraire, qui pratique des investissements vigoureux et continus progresse, non seulement au point de vue économique, mais aussi au point de vue social.

A cet égard, en effet, toute dépense d'investissement est génératrice de plein emploi de la main d'oeuvre, ainsi que Keynes l'a démontré d'une façon péremptoire.

Aussi est-il intéressant de rechercher quels furent, au cours de ces dernières années, les degrés d'investissements réalisés par les divers pays.

C'est, bien entendu, sur la France que nous possédons personnellement les données les plus précises;

En France, le montant total des investissements (amortissements compris) semble avoir été seulement, en 1955, de 2.800 milliards de francs, soit environ 17 % du produit national brut [2]). Cette pro-

[2]) V. rapport de M. Dumontier au Conseil économique. Bulletin du Conseil économique N° du 29 mars 1956, p. 145.

portion est faible. On constate qu'au cours de ces dernières années, les dépenses de consommation ont augmenté plus vite que celles d'investissements.

D'après les statistiques du Ministère des Finances [3]), les investissements bruts ont augmenté de 23% entre 1949 et 1955; mais, pendant la même période, le produit national s'est accru de 30%. Encore faut-il remarquer, d'une part, que la comparaison était beaucoup plus défavorable les années précédentes, car 1955 a marqué un net redressement, et que, d'autre part, l'amélioration moyenne constatée entre les années 1949 et 1955 provient uniquement d'investissements non productifs, qui étaient faibles en 1949, et qui ont connu depuis, un accroissement particulièrement sensible, d'environ 60%. Quant aux investissements productifs, après avoir atteint leur maximum en 1951, ils ont décliné d'environ 10% les deux années suivantes et se sont ensuite progressivement redressés: mais ils n'ont fait que retrouver en 1955 le volume de 1949. On estime que l'année dernière, ils n'auraient été que de 1.845 milliards, ce qui ne représente même pas 11% du produit national brut, et ce qui correspond à 5% du chiffre d'affaires dans l'industrie et seulement 1,40% pour le commerce.

Et encore convient-il de noter que, dans le montant de ces investissements dits productifs, une part seulement — très difficile à chiffrer — à été consacrée à l'augmentation des capacités de production, tandis qu'une bonne partie a été affectée au renouvellement de l'équipement.

Pourquoi ces investissements sont-ils restés aussi faibles, alors surtout, que les disponibilités sont abondantes et qu'une politique fiscale (institution de la taxe à la valeur ajoutée en remplacement des impôts sur le chiffre d'affaires) a favorisé les investissements?

Faut- il donc attribuer cette insuffisance à une certaine imprévoyance bien française ou à un manque de confiance dans l'avenir? Nous ne pensons pas qu'aucune de ces deux raisons soit justifiée. Elle provient plutôt de trois autres causes:

D'abord, une certaine prudence, bien française aussi, qui est due à l'extrême rapidité de l'évolution des progrès techniques: en présence d'une telle accélération, l'industriel redoute que ses conceptions d'aujourd'hui ne soient dépassées demain et il a tendance à en différer l'exécution pour attendre un climat de plus grande stabilité.

D'autre part, les émissions continues de l'État (dues à un déficit budgétaire croissant) absorbent la plus grande partie des disponibilités du marché et comme elles sont faites à des conditions oné-

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[3]) V. „Statistiques et études financières" du Ministère des Finances. Rapport sur les comptes de la Nation, n° 85, de janvier 1956, p. 37.

reuses, accompagnées souvent d'indexations et de faveurs fiscales, elles ont pour conséquence que le loyer de l'argent reste cher. Il s'ensuit que les chefs d'entreprise ne peuvent faire appel, tout au moins à des taux favorables, aux moyens de financement nécessaires à la modernisation de leurs installations dont ils sentent, pourtant, l'impérieuse nécessité.

Enfin, l'excès des charges fiscales rend trop lourde, trop chère, la rémunération de ces investissements. Car ce n'est pas le tout d'investir; encore faut-il assurer aux capitaux une rémunération convenable. Or, à cet égard, la législation fiscale française frappe les bénéfices des entreprises de deux impôts qui se superposent en cascade: l'un, dénommé „impôt sur les sociétés" frappe l'ensemble des bénéfices réalisés à un taux qui était de 38 % l'année dernière, qui est de 41,80 % cette année. L'autre, dénommé „taxe proportionnelle" s'applique au montant des bénéfices distribués. Son taux, qui était de 18 % l'an dernier, est dès maintenant passé à 19,80 %.

Comme ces deux impôts se cumulent, il en ressort que la part de l'État absorbe 53,32% des bénéfices distribués par une société, soit sensiblement plus de la moitié.

Et, bien entendu, les dividendes reçus par les actionnaires subiront un troisième prélèvement constitué par la surtaxe progressive dont le taux maximum, qui est maintenant de 77%, frappe tous les revenus d'un contribuable célibataire excèdant 6.800.000 frs.

Ces excès de la fiscalité ont pour première conséquence de retirer à l'épargne une grande partie des revenus qu'elle pourrait apporter à l'industrie, voire à l'Etat lui-même dans la mesure où il veut procéder à des investissements.

D'autre part, on conçoit que, dans ces conditions, les sociétés hésitent à s'engager dans des investissements dont plus de la moitié de la rémunération, qui comporte toujours et forcément un risque, est absorbée par l'État.

Il est vrai que la charge fiscale est aussi lourde dans les autres pays, qui pratiquent cependant des investissements plus élevés par rapport à leur revenu national. Mais les conditions techniques sont bien différentes.

D'abord, dans plusieurs pays, notamment aux Etats-Unis, au Canada, en Hollande, en Allemagne, etc., la tendance fiscale est rassurante pour les entreprises, parce qu'elle est dans le sens de la baisse; cette constatation crée un climat psychologique qui est, croyons-nous, d'une importance capitale.

D'autre part, dans de nombreux pays, notamment en Angleterre et aux Etats-Unis, la définition du bénéfice fiscal est beaucoup plus souple qu'en France: les frais généraux sont plus largement admis en déduction de ce bénéfice imposable et les amortissements sont

autorisés à une cadence plus rapide et plus complète. Chez nous, en effet, même avec toutes les modalités prévues, ils n'atteignent jamais la valeur de remplacement.

Enfin, les marges bénéficiaires des entreprises paraissent plus élevées à l'étranger qu'en France où certains produits subissent encore un blocage des prix et où certaines industries, par suite d'une âpre concurrence entre elles, n'ont que des marges bénéficiaires inexistantes ou dangereusement minimes.

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Aussi bien convient-il de rechercher quelle fut, dans les autres pays, la pratique des investissements au cours de ces dernières années.

A cet égard, le rapport de la Commission économique pour l'Europe fournit quelques indications intéressantes; encore que les comparaisons soient très difficiles à établir d'un pays à l'autre.

Si l'on prend 1938 comme année de référence, l'importance actuelle des investissements par rapport au revenu national se situe, pour la France, dans une honnête moyenne. Les Pays-Bas et le Danemark ont développé leurs investissements dans une proportion plus forte. Mais l'Allemagne, la Suède et la Norvège sont à peu près au même étiage, tandis que l'Angleterre est loin derrière.

Si, l'on établit au contraire la comparaison par rapport à 1950, l'effort français apparaît moindre. La progression a été de 16% en Angleterre, de 19 % en France, de 38 % en Italie, de 41 % en Allemagne.

En 1954, l'Angleterre a investi environ 2 millions ½ de livres, la France 2.500 millions de francs, ce qui est à peu près équivalent. Mais les affectations ont été sensiblement différentes: si, en effet, les deux pays ont consacré des sommes sensiblement égales au logement, l'Angleterre, par contre, a fait un effort plus grand en faveur des industries extractives et de transformation, de l'électricité et du commerce. En revanche, la France a dépensé davantage pour l'agriculture, les services publics et les transports.

Si l'on établit, au contraire, la comparaison, non plus en monnaies nationales, mais en dollars, aux prix européens moyens de 1950 et compte tenu, d'autre part, du nombre d'habitants dans chaque pays respectif, on s'aperçoit que les investissements anglais ont eté plus forts que ceux de la France; ils se sont, en effet, élevés l'année dernière (en 1955) à 168 dollars par tête d'habitant, contre 140 en France, tandis qu'avec ce mode de calcul, ceux de l'Allemagne ont été nettement inférieurs.

Par contre, si l'on prend pour base de comparaison le produit national brut de 1955, l'effort français (17%) apparaît plus sub-

stantiel que ceux de l'Angleterre, et même de la Belgique, mais moins grand que ceux de l'Italie, des Pays-Bas, du Luxembourg, de l'Allemagne occidentale (qui atteint 24%) et de la Norvège qui, avec 25%, tient le record des pays occidentaux, soit un pourcentage comparable à celui de l'U.R.S.S.

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L'U.R.S.S. mérite une mention spéciale, car sa politique d'investissements est évidemment toute différente de celle des pays occidentaux.

Tout d'abord, la définition même est différente: elle ne correspond ni à l'investissement brut, ni à l'investissement net, (c'est-à-dire amortissements non compris) tels qu'ils sont connus dans nos pays. Pour les statistiques soviétiques, l'investissement correspond à tout ce qui est effectivement ajouté à l'appareil productif, déduction faite de ce qui en est retiré (exemple: matériel mis hors de service). Il faut reconnaître que cette définition est beaucoup plus conforme à la réalité économique, car les amortissements ne concordent généralement pas avec les mises à la retraite effectives. Ainsi calculée, la proportion des investissements par rapport au produit national est d'environ 25 % par an.

Le financement de ces investissements s'opère, d'une façon curieuse, „par l'autofinancement global au sein de l'immense holding qu'est l'État soviétique. Cette holding lève un tribut considérable sur les entreprises qu'elle contrôle, sous les deux formes, qui nous sont familières aussi en Occident, de la taxe sur le chiffre d'affaires et de l'impôt sur les bénéfices des sociétés. Ce sont là les recettes essentielles des autorités soviétiques: au moyen de ces recettes, elles couvrent leurs besoins propres (consommation publique et investissement administratif) et elles ristournent aux entreprises des sommes énormes qui sont pour celles-ci la principale source de financement de leurs investissements. Par exemple, en 1956, les crédits budgétaires doivent former les trois quarts des dépenses des entreprises en investissements fixes, le dernier quart seulement étant formé des ressources propres (bénéfices retenus et amortissements)" [4]).

En apparence, il semble que l'on pourrait parvenir au même résultat en allégeant des trois quarts l'impôt sur les bénéfices et la taxe sur le chiffre d'affaires. Mais ce raisonnement ne tiendrait compte ni de l'obsession soviétique pour un dirigisme total, ni du processus de la répartition, par le pouvoir central, des sommes ainsi reçues.

[4]) V. Bulletin de la S.E.D.E.I.S. 205 bd. St-Germain Paris — N° 651 du 1er avril 1956, p. 7.

L'affectation de ces sommes considérables n'est pas faite, en effet, au prorata de leur perception. Le rapport de la Commission économique pour l'Europe nous apprend, par exemple, que, de 1949 à 1955, la part du logement dans le total des investissements n'a été en U.R.S.S. que de 13,7 %, alors qu'elle a été d'environ 25 % dans les pays de l'Europe occidentale (23 % en Belgique et en Angleterre, 24 % en France et en Suède, 25 % en Allemagne occidentale). Le logement représente donc seulement, en U.R.S.S., un peu plus de la moitié de l'importance qu'il occupe dans nos pays. Ce qui montre déjà que les investissements à caractères sociaux sont délaissés au profit des investissements industriels.

Cette déduction est d'ailleurs corroborée par les statistiques qui nous affirment qu'en U.R.S.S., la part de l'industrie dans les investissements est de 70 %, alors qu'elle est seulement de 32 % en Allemagne, de 31 % en Angleterre et de 24 % en France.

Une telle affectation des investissements suffit à expliquer la grande efficacité de ceux-ci en U.R.S.S.: c'est dans ce pays que les investissements productifs tiennent de beaucoup la plus grande place. C'est en France qu'ils en tiennent le moins.

Il n'est pas surprenant qu'un tel système ait assuré à ce pays un développement économique considérable, dont il avait d'ailleurs besoin. Depuis une vingtaine d'années, le souci dominant des dirigeants soviétiques a été d'accroître très rapidement la capacité de production industrielle. Ils y ont réussi grâce à leur politique d'investissements. Cette production, qui n'était en 1928 que le dixième de celle des États-Unis, avoisine maintenant la moitié de celle-ci. Où n'en serait-on pas, dans les pays de l'Europe occidentale, si les trois quarts des impôts sur les sociétés et des taxes sur le chiffre d'affaires avaient été obligatoirement consacrés à des investissements? Sans doute, ceux-ci auraient-ils été excessifs et connaîtrait-on actuellement une redoutable crise économique, due à la surproduction.

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La première conclusion est donc que, pour connaître une santé économique durable, un pays ne doit pratiquer ni trop, ni trop peu d'investissements. .....

Ni trop, car l'excès des investissements, celui qui dépasse le niveau suffisant pour assurer le plein emploi de la main d'oeuvre, engendre une pression inflationniste à laquelle l'État ne peut remédier qu'en créant des taxes sur la consommation.

Ni trop peu, car — nous l'avons fait ressortir — l'insuffisance des investissements ne permet pas, au point de vue social, d'assurer le plein emploi de la main d'oeuvre et handicape fortement, au

point de vue économique, les pays qui se laissent ainsi aller sans infusion de sang nouveau. Les entreprises les plus grandes et les plus prospères ont elles-mêmes besoin d'importants investissements, afin de se maintenir à la dimension des problèmes posés par les progrès si rapides de la technique et par l'évolution des marchés.

Ces limites maxima et minima sont certes difficiles à définir. Récemment, un éminent économiste français, M. Bertrand de Jouvenel, préconisait les proportions suivantes, dans une étude publiée par la Sedeis [5]):

„Pensant en termes d'économie concrète et d'avenir national, on peut dire que le niveau d'investissements désirable est celui qui cause une augmentation annuelle de 10 % dans le produit national et qu'il faut, à cette fin, en vertu de l'expérience acquise, consacrer 25 % du produit national aux investissements.

„Pensant en termes de plein emploi et de stabilité financière, on peut dire, au contraire, que 13 % du produit national consacré aux investissements suffisent à entretenir le plein emploi, que cette fraction ne peut être dépassée sans pression inflationniste et qu'il faut s'en contenter, encore qu'à ce prix, le progrès du produit national ne se fasse qu'au rythme de 3 % l'an".

Nous nous rallierons volontiers à cette opinion, avec toutefois une nuance. Une progression de 3 % par an de l'expansion économique nationale nous paraît, en effet, insuffisante, surtout si l'on tient compte de la forte augmentation démographique qui existe dans la plupart des pays.

Aussi est ce, selon nous, une fraction de 15 % au moins (au lieu de 13 %) et de 25 % au plus du produit national qui devrait être consacrée aux investissements, ce qui situerait l'expansion économique entre 5 et 10 % par an.

Le second voeu est que cette régle devrait être adoptée par tous les peuples, si l'on forme le rêve d'obtenir une harmonie mondiale parfaite.

Le problème des investissements dépasse, en effet, le cadre national; il concerne aussi l'équilibre international: une course aux investissements n'est sans doute pas aussi dangereuse pour la paix du monde qu'une course aux armements; mais elle creé bien des rivalités économiques qui ne sont pas exemptes de périls.

Par contre, les investissements qui ont un caractère international apparaissent comme des bienfaits pour l'humanité — Aussi bien certains pays n'hésitent-ils pas à favoriser les investissements étrangers sur leur territoire. Tel est, par exemple, le cas de l'Italie, qui, par un récent décret, pris en application d'une loi de Février 1956,

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[5]) Vr. Bulletin de la SEDEIS, précité, n° du 1er Avril 1956.

accorde le libre transfert, au change officiel, „des capitaux et des revenus des investissements étrangers effectués dans une entreprise productive".

N'est-il pas d'ailleurs du devoir, comme de l'intérêt, des pays riches de pratiquer des investissements dans des pays insuffisamment développés et dont la politique leur inspire confiance?

Telles sont, sur ce grave et délicat problème, nos deux conclusions, „à nous et quant à présent", comme eût dit Franklin, qui, en toutes circonstances, avait la prudence de n'engager que lui seul et le moment où il parlait.

INVESTMENT DIFFICULTIES

by Maurice Polti

SUMMARY

The author of this article begins by defining the word investment, the meaning of which does not seem to be exactly the same in the various countries, whilst even the economists of the same country do not agree. In his opinion, investments are outlays incurred for the purpose of creating goods or services.

But one should distinguish between "productive" investments, usually made by private businesses (building of a factory, purchase of materials or equipment, stock-pilling, etc.) and unproductive investments, often made by the State (the construction of administrative buildings, schools or roads).

The author then considers how investments are financed.

Those of the State are financed by taxation, borrowing or the issue of banknotes. As regards private investments, these are financed from two main sources: some with outside help, through the issue of shares or debentures or through loans granted by banks; for others the funds are withdrawn from the firm's own capital: this is mainly self-financing. Most countries also add depreciation, but that seems to be an economic error.

The author then examines in greater detail to what extent French concerns have had recourse to the various procedures and he gives a very interesting table to illustrate this point. It appears that the sources of investment vary greatly, according to the importance of the concerns.

Whatever their origin (public or private) and even their object (productive or unproductive)), investments are very important for a country, both from the economic and from the social point of view.

From the economic point of view, they form the best means of raising the production and they are a source of prosperity.

From the social point of view, they bring about full employment.

It is interesting therefore, to investigate the volume of investments made by the various countries in recent years.

The author discusses in succession France and the various countries of Western Europe. Special mention is made of the Soviet Union, whose investment policy difert greatly from that of the democratic countries.

Two conclusions are drawn at the end of this study:

(1) a country should invest neither too much nor too little; the average recommended lies between 15 and 20% of the national product;

(2) this rule should be adopted by all nations if one dreams of reaching perfect world harmony.

POLITICAL ECONOMY OF THE PUBLIC DEBT

BY MANUEL GOTTLIEB

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The national debt may of course originate out of the financing of public works or, to use an older expression, "internal improvements". But in the main it is not accidental that in all countries where capitalist forms of life made any headway the national debt was accumulated on any considerable scale only as a mode of financing wars. For this reason our enquiry commences with the connection between the kind of war economy evolved by capitalist society and public debt. Our enquiry deals only with the relatively pure forms of capitalism which became dominant during the 19th century. Following institutional datings this means the enquiry is confined to the period between the Napoleonic wars and the onset of the first World War and encompasses the first two Kondratieff "long swings" and a good half of the third. Following Schumpeter we think it is worthwhile sharply to distinguish between the political economies which prevailed during the 19th century and those which emerged out of the holocaust of World War I or the thirty year period which included the two World Wars and the Great Depression. Nowhere were the changes more systematic and profound than those arising out of the public debt, its origin, maintenance, standards, functions. The political as well as the economic significance of public debt in the mid-twentieth century economy has also been altered.[1]) It is the purpose of this study only to make more clear just what we have outgrown and to what extent the standards and ideas of the past are no longer applicable.

In contemporary economic life the public debt can be thought of as an instrumentality for economic steering and monetary control. It will originate out of the needs of "deficit finance" and the securities in which it is embodied can be tailored to meet the requirements of the capital market. In the 19th century forms of economic life the problem was not so complicated. The public debt

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1) See the comments and references given in my "Capital Levy and Deadweight Debt in England — 1815—40", *Journal of Finance*, VIII (1953) 36n9; and see the extended discussion of the political economy of the contemporary public debt in my "Capital Levy after World War I", *Public Finance* (1952), sec. III.

predominantly arose out of the exigencies of war. The political elite who were motivated by the desire to retain office or position felt a pressure to conceal or minimize costs of the war or, at any rate, to delay the open accounting for those costs until the nation was fully committed to the undertaking. A prompt and open disclosure of those costs could embarrass the national effort and hamper mobilization of support.[2]) The force of these motives to delay tax action was reinforced by the very real difficulty involved in the task of financing war costs by taxation. The tax system of a community involves essentially a form of co-proprietorship grown up around complex pressures which finally become neutralized by acceptance of some settled arrangement. Slow to become settled it is equally slow to change and for the same reasons. Any change may be difficult to reverse or offset; and making any change opens up all the discontents and grievances which have been bottled up in agreement. To this extent a national tax system is a typical political achievement. That it is found workable in practice and commands an appreciable measure of loyalty is the most significant feature about it.

The readjustment of economic interests also presses compellingly for a policy of inflationary war finance. Inflation was needed to lower real wages and other fixed incomes to permit the concentration in the hands of active business men of the large resources upon which the state at war may draw in the shape of either taxes or loans.[3]) This profiteering and the process of swelling

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[2]) Ricardo wrote that "we are too apt to think that the war is burdensome only in proportion to what we are at the moment called to pay for it in taxes". Ricardo added that the policy of prompt taxation in war would encourage an attitude "less disposed wantonly to engage in expensive conflict." Adam Smith had flatly accused the reigning governments of preferring the debt system "for fear of offending the people who by so great and so sudden an increase in taxes would soon be disgusted with the war." Hume less offensively referred to the temptation of the ministers to "make a great figure... without overburdening the people with taxes." See D. Ricardo, "Essay on the Funding System", *The Works of David Ricardo* (McCullough ed., London, 1846) 539. Adam Smith, *Wealth of Nations* (Mod. Lib. edn.,) 872; David Hume, "Public Debt", *A Select Collection of Scarce and Valuable Tracts on the National Debt* (McCullough, ed., London, 1842) 279. But the classical economists here rub against the nub of the matter. They infer that nations could conduct wars by fully rational processes.

[3]) J. M. Keynes, *Treatise on Money* (New York, 1930), II, Chapter XXX, section 3, "The War Prosperity, 1914—18". The direct reduction of wage rates was, Keynes emphasized, impossible; hence Keynes concluded that in wartime "it is unavoidable as well as smart to tolerate a price rise through profit-inflation." For a later version to the same effect, see Keynes, *How to Pay for the War*, 57-73.

market demand and the resulting price increase facilitated the regrouping of productive forces, the mobilization of labor supply, and the conversion of productive resources to war needs in the shortest period of time consistent with preservation of the economic core of the "freedom" — namely, open markets and decentralized decision under standing law — around which the social order was constructed.[4]) Though this very genuine economic function fulfilled by wartime inflation and profiteering was not subjectively apprehended in its full force or with understanding of its details, some inkling of it undoubtedly was sensed by men of affairs. Finally, to this array of real interests fostering the system of war finance, there may be added a possible psychological motive too subtle to have much force. Every social creed which must be applied in its full rigor must also provide a range of permissiveness on selected occasions for indulgence of impulses which are continually repressed. The restraints on inflation are possibly of this character. The act of war is sufficiently novel and sporadic to permit indulgence in what Hawtrey aptly termed the "forbidden pleasures of monetary inflation" without weakening the force of the inhibitions which must continue to apply in peacetime.[5])

If the system of war finance can be explained in functional terms of differential group interest and institutional needs, so the maintenance of the deadweight debt in peacetime had certain analogous aspects. In the typical capitalist society of the 19th century the service on the deadweight debt was financed chiefly by indirect taxation weighing heavily on lower income groups. The differential social interest in maintaining the debt was strong since the income displacement effected by regressive taxation was accompanied by provision of a fund of gilt-edged investments which facilitated the emergence of modified forms of business organization. Marx was not one to overstate the effect of such fiscal arrangements. Yet he characterized the system of public debt and "modern fiscality" whose pivot, he noted, "is formed by taxes on the most necessary means of subsistence", as constituting "one of the most powerful levers of primitive accumulation" and as playing "a great part" in the "capitalization of wealth" and the "expropriation" of mass income.[6]) Hansen more cautiously and with more stress on the

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[4]) J. K. Galbraith, "The Disequilibrium System", American *Economic Review*, XXXVII (1947), 290 ff.

[5]) R. G. Hawtrey, *The Economic Problem* (London, 1926), 289.

[6]) See the brief analysis of this question in Karl Marx, *Capital: A Critique of Political Economy* (Mod. Lib. ed., 1906), I, Chapter XXXI, "Genesis of the

promotion of changed business practices was merely inclined to doubt whether "the financial and industrial development of England in the 19th century could have proceeded with the degree of steadiness and security actually achieved" without the large deadweight debt. [7]) In either case the aspect of differential social interest was a powerful one.

With this element of differential economic interest in the public debt may be associated significant political aspects. That maintenance of a public debt had unsavory political implications was felt, if in exaggerated form, by the more advanced democratic spokesmen of the early phase of capitalist development in the United States and Britain. These implications chiefly turned around the role of "corruption" and stimulus for pressure group politics and capitalist influence. [8]) Somewhat later, Marx more explicitly characterized the debt as a means for bringing about bourgeois control of the state. [9]) Measures to achieve this control were particularly

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Industrial Capitalist", 827—829. This generalization is the more impressive since Marx on general principles contested the ability of tax arrangements to affect fundamental distributive and productive processes. The latter, Marx wrote, „können durch die Steuer höchstens in Nebenpunkten modifiziert nie aber in ihrer Grundlage bedroht werden". Reduction of taxes on wage outlays would raise profits but not wages. See Marx's review of E. Girardin, *Le Socialism et l'impot,* published initially in the *Neuen Rheinischen Revue* in 1850 and cited here from *Gesammelte Schriften von Karl Marx und Frederick Engels, 1841 bis 1850* (Mehring ed., Stuttgart, 1902), III, 434—442 and particularly 435—436. Marx went on to stigmatize tax reform as "bourgeois reform". "Swelled up to colossal proportions" tax levies could be used in a revolutionary period "as the form for an attack on private property; but ... then they must drive the way to new revolutionary measures or lead back to the old bourgeois relationships." *Ibid.,* 436.

[7]) Alvin Hansen, *Fiscal Policy and Business Cycles,* 155.

[8]) In England the attack on the debt as a political institution was led by the redoubtable Cobbett. See G. D. H. Cole, *Life of William Cobbett* (N.Y., 1924) 172 ff, 199. In part Cobbett drew on a brilliant early essay of Thomas Paine, *The Decline and Fall of the English System of Finance* (Paris, 1796). In America this repugnance to the debt as a political institution and source of "corruption" was central in the ideology and politics of the Jeffersonian democracy and of the Jacksonian movement. See Charles A. Beard, *Economic Origins of Jeffersonian Democracy* (New York, 1913); A. M. Schlesinger, jr., *The* Age of Jackson (Boston, 1945), 21—26, 117—131.)

[9]) "To this modern private property corresponds the modern State which procured gradually by the owners of property by means of taxation, has fallen entirely into their hands through the national debt and its existence has become wholly dependent on the commercial credit which the owners of property, the bourgeois, extend to it in the rise and fall of State funds on the stock exchange." Karl Marx and F. Engels, *The German Ideology* (trans., New York, 1939), 59. In the *Capital,* (Mod. Lib. ed.,) I, 827 Marx asserts national debts constituted

prominent in the earlier phases of capitalist society. Formation of the public debt served as the springboard for the mobilization of a structure of private corporate power over crucial areas of the political economy (banking, commerce, empire, fiscal affairs.) [10]) As

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"the alienation of the state". In one of his lesser known works Marx explained that by "procurement" of the state through taxation he alluded to that long drawn out process by which in feudal society the bourgeoisie used the payment of taxes which he states was "le seul lien entre la société bourgeoise qui s'élevait et l'Etat féodal qui détenait le pouvoir" as the means with which to force concessions and to adapt the state to its requirements. See *Karl Marx Devant Les Jures De Cologne* (a French translation) in the *Oeuvres completes de Karl Marx* (Costes ed., Paris, 1939), 45.) See for further amplification *Selected Essays of Karl Marx* (trans., New York, 1926), 139 ff.Finally, see the analysis of the "highest form of state", the democratic republic, as turning around "direct corruption" on the one hand and "an alliance between government and the stock exchange which becomes the easier to achieve the more the public debt increases and the more joint stock companies concentrate..." F. Engels, *Origin of Family, Private Property and State* (first published in 1884, cited here from *Karl Marx and Frederick Engels, Selected Works* (Moscow, 1951), II, 291. In Marx's important work on the French Revolution of 1848 the implications of the formulation used in *The German Ideology* were traced through in a keen but little noticed analysis of the constraining role of the French public debt and of the institutions associated with it. Marx, *Class Struggles in France, 1848—1850* (Int. Pub., New York, n.d.), 33—38, 46—49. Ferdinand Lassalle in his classic essay on the constitution did not fail to include the system of public credit and the banking houses essential to it among the actual "power relationships" which make up the real constitution. See Lassalle, "Über Verfassungswesen", *Ferdinand Lassalle, Gesamtwerke,* (Blum, ed., 6 v—Leipzig) I, 47—57. In Lenin's *State and Revolution* there was a paragraph of commentary taking off from Engel's comment on the stock exchange which was understood to refer exclusively to the corporate world and the role of big financiers prominent in that world and hence wielding influence within government. See E. Burns, ed., *A Handbook of Marxism* (New York, 1935), 731. Otherwise Marx's insightful linking of the debt and state has not been followed in Marxian writings on "the state".

[10]) "At their birth the great banks decorated with national titles were only associations of private speculators who placed themselves by the side of their governments and thanks to the privileges they received were in a position to advance money to the state." Marx, *Capital,* I, 828. Marx wrote earlier "...under William III the rule of the financial bourgeoisie was first consecrated by the foundation of the Bank of England and the introduction of the national debt". Marx, *Selected Essays,* 198 ff. As Bagehot unceremoniously put it, the Bank of England at its origin "was not only a finance company but a Whig finance company". Walter Bagehot, *Lombard Street* (14th ed., London, 1914), 90. After recalling the story which Macaulay has told so well, Bagehot noted that "for many years afterwards the existence of that debt was a main reason why the industrial classes never would think of recalling the Pretender or of upsetting the revolution settlement". Bagehot notes without spelling out the implications that "for a long time the Bank of England was the focus of London Liberalism and in that capacity rendered to the State inestimable services". *Ibid.,* 92, 93. These historic connections are well established in economic

this structure of corporate power was dissolved, it left its deposit in the form of a large public debt and in standards of public policy which laid maximum stress on the sancity of the public credit, on the need during peacetime to avoid civil expenditures and to use tax resources to retire debt. To conform with these standards it was not necessary for the creditor class openly to participate in politics. These restraints were exerted not through overt political processes but by the continuous insecurity implicit in a large public debt. This sense of insecurity is self-evident in connection with the short term debt which, because it must be incessantly renewed or, as the phrase goes, "turned over," turns the state into a beggar which must go cap in hand to the great banking centers and financial markets of the country and seek for the credit which it needs. Though short-term credit is obtainable sometimes on cheaper terms, the insecurity which it entailed was sufficiently notorious to render it a standard maxim of fiscal policy to "consolidate" the great portion of the debt into various forms of so-called "permanent" or long-term securities for which payment of the principal would be called for only some decades ahead. [11])

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historiography. Max Weber, *Wirtschaftsgeschichte* (2d ed., Munich, 1924), 240—246; H. See, *Modern Capitalism* (New York, 1928), 19 ff., 64 ff., 89 ff. The corporations that were chartered or whose existence was renewed and prerogatives extended under these arrangements were a kind of bourgeois soviet formed by men of property mutually to regulate their affairs and to establish an effective governing organ on the basis of property participation. Hence the otherwise unnatural fact that the East India Company whose administration, noted See, "resembled that of a state", (*Ibid.*, 64.) the constitution of which, as Burke put it, "began in commerce and ended in empire" never lost "traces of its original mercantile character" though "it more nearly resembled a delegation of the whole power and sovereignty of this kingdom sent into the East". *Burke's Speeches and Correspondence* (Bohn's standard library, London, 1914), VII, Bk. 1, 22 ff. The same was true of the Bank of England.

[11]) For typical elucidation of the "conventional view", as S. E. Harris put it, "that the maintenance of a large floating debt is both unsound and dangerous", see S. E. Harris, *Monetay Problems of the British Empire* (New York, 1931), 207. For the maxim of policy that the "first step toward the restoration of peace relations" consists of "the funding of floating obligations", see Adams, *Public Debt*, 179—187. See also Leroy-Beaulieu, *Traité de la Science des Finance* (6th ed., Paris, 1906, 2 v.) II, 427 who stated that a floating debt was an indication of "embarrassed" finances. Countries whose deficits were repeated and appreciable tended to pile them up. Hence the generalization that "the progress of public credit" in the advanced countries has gone hand in hand with the diminution of floating debt. Ibid., 428 ff. Pg. 11. While it was not an actual menace, a Treasury spokesman told the Colwyn Commission that the large floating debt put the "State in the hands of the holders of the Bills who have a purely one-sided option to renew or not". Great Britain, *Report of the Committee on National Debt and Taxation.*, (cind. 2800, 1927 including a

But even that victory of financial statesmanship which "consolidated" a floating debt did not essentially change its form or permanently place the investment. For the debt, repayable over a long term or perhaps issued without a repayment date, was saleable only because it was in the form of a negotiable security which could readily be marketed without close bargaining arrangements. [12]) The feature of marketability became the point of departure for the evolution of the security or stock exchange which centralized open dealings in public securities and thus immensely facilitated their ready sale and purchase. [13]) Centralization of purchase and sale in turn went hand in hand with the formation of a specialized body of dealers who could serve as trusted market agents capable of servicing market needs. Since market values pivoted around relationships between present and expected future behavior, these values readily tended to fall into certain conventionalized moulds susceptible of periodical and self-generated

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volume of annexed *Testimony*), 35. The great advantage of a floating debt consisted, as Keynes pointed out, of the savings in interest cost yielded by satisfying the "appetite of the investment market for that type of security". *Colwyn Testimony*, 277. The Colwyn Committee weighted the pros and cons with that austere and balanced judiciousness for which a British governmental commission is distinguished and confirmed the traditional viewpoint. *Colwyn Report*, 34 ff.

12) „Die Schuldschein die für das ursprüngliche geliehene und längst herausgabte Kapital ausgestellt sind, diese papiernen Duplikate von vernichtetem Kapital, fungieren für ihre Besitzer soweit als Kapital als sie verkaufbare Waren sind, und daher in Kapital rückverwandelt werden können". K. Marx, *Das Kapital*, III (Berlin reprint, Moscow, 1932 ed.), Chapter XXX, 521.

13) As Berle and Means stated in their justly celebrated work, *The Modern Corporation and Private Property* (New York, 1932), 286, "the public security markets are one of the economic enigmas of the present system; they like other markets have only recently become the focus of intensive economic research". In their work was provided an important contribution, although analysis of economic mechanisms is not given prominence. *Ibid.*, Book III, "Property in Stock Markets", 289—332. One of the best all around studies on the stock market is that by Max Weber made in the 1890's. Weber, „Die Börse", *Gesammelte Aufsätze zur Soziologie und Sozialpolitik* (Tübingen, 1924), 256—322. Weber characterized the securities markets as the organized center of a network of "tribute-relationships" of an "impersonal character". *Ibid.*, 266 ff. Alfred Marshall called stock exchanges "media for the circulation of command over capital from those who hold it in a ready form to those who desire to invest it as a source of income". Marshall, *Money, Credit and Commerce*, 89, 92. Without reversing any of these positions, R. Hilferding indicated their class background by his stress that „die Börse hier der Markt für den Geldverkehr der grossen Banken und Grosskapitalisten untereinander". R. Hilferding, *Das Finanzkapital* (Wien, 1923 reprint of 1909 ed.), 151 and entire discussion 148—176.

fluctuations of an essentially speculative character.[14]) The continuous growth of public debt in the emergent capitalist society thus hinged upon the rise of stockjobbing and of "finance capital", upon the emergence of speculative financial markets and upon emphasis on ready marketability of the government security.[15])

Under these circumstances the illusoriness of the security gained by extending the term of payment is manifest. The investment in the public debt is extended in duration only by making its value more variable. A portion of the securities are constantly in circulation as investors shift in their needs, their apprehensions of the future, their alternative earning opportunities or their judgment of market conditions. The market takes into account "all plans and outlooks for the future in the economic system, all conditions of national life, all political, economic and natural events."[16]) The market thus serves as the "barometer which indicates the general conditions of the atmosphere of business."[17]) The market reacts not only to real conditions but to their psychologically anticipated effects since "stock prices have more degrees

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[14]) „...Spezifische Börsentätigkeit ist vielmehr die Spekulation," said the Marxist Hilferding. *Ibid.,* 153. Weber's explanation was richer: „Dieser stets wieder auftrettenden örtlichen und zeitlichen Unterschiede in der allgemeinen Preislage einer Ware zur Erzielung von Gewinn auszunutzen ist das Bestreben derjenigen Handelstätigkeit, welche zwar sehr mit Unrecht hie und da also dem Börsenhandel allein eigentümlich angesehen wird, die aber allerdings im Börsenverkehr den höchsten Grad ihrer Entfaltung erreicht und für die besondere Art der Preisbildung ebenso wie für die Geschäftsformen der Börse entscheidend ist: der Spekulation." Weber, „Die Börse", *loc. cit.,* 294.

[15]) Compare the keen R. Hamilton, *An Enquiry into... Rise and Management of the National Debt of Great Britain* (2nd ed., Edinburgh, 1814) 63 ff.; K. Marx, *Capital,* I, 827—9; Leroy-Beaulieu, *Traité,* II, 320 ff.; W. Röpke, *Finanzwissenschaft* (Berlin, 1929), 139. Röpke's summary is worth citing for its clarity. „Durch den modernen konstitutionellen Staat wurden die rechtlichen politischen und psychologischen, durch die Entwicklung der der modernen Effektenbörsen die wirtschaftlichen Grundlagen des heutigen Staatskredits geschaffen. Die Staatsanleihe wird jetat zu einem nach den Regeln des Börsenverkehrs gehandelten Wertpapier, das, losgelöst von der speziellen Realsicherheit früherer Anleihen allein auf dem allgemeinen an den Börsen ständig registrierten Vertrauen zum Staat basiert. Die Effektenbörse und die stets bewegliche Effektenspekulation bilden heute den unentbehrlichen Mechanismus zur Unterbringung und jederzeitigen Liquidierbarkeit der Staatsanleihen wie umgekehrt der moderne Staatskredit mächtig eingegriffen hat in die Entwicklung der Effektenbörsen." See also in these terms the early work of K. Dietzel, *System Staatsanleihen,* 95—150.

[16]) J. Schumpeter, *The Theory of Economic Development* (Cambridge, 1934), 126.

[17]) Marshall, *Money, Credit and Commerce,* 92.

of freedom than other prices" and "confront a public very much more excitable and very much less intelligent than the constituent individuals are in their ordinary business pursuits.[18]) This high potential volatility can become ignited and bring about a collapse in public securities and in the public credit generally. Because it was so central in the development of organized investment dealings and the variety of business forms that separated ownership and control of capital, and because it so immensely facilitated the concentration of investments into large masses, as Keynes noted in a celebrated analysis, the stock market "added greatly to the instability of the system."[19]) As Berle and Means pointed out, this instability — whose psychological sources and mechanism Keynes so profoundly analyzed — was founded on the historical development behind it which in outcome turned around the exchange of "control" for "liquidity."[20]) It took a long time for economic analysis to digest the implications of the fact that the stock exchange and the central money market of which it is the key organ are, as Schumpeter put it, "the headquarters of the capitalist system.[21])

The political implications of this labile instability, driven into the heart of the wealth subject to daily revaluation on the stock exchange, are as startling as the economic implications. The effect of this instability on government securities meant that government credit was in constant jeopardy. The first practical task of a

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18) Schumpeter, *Business Cycles* (New York, 1939), 682.

19) See J. M. Keynes, *The General Theory of Employment, Interest and Money*, 150. Keynes went on to say in a brilliant passage that "in the absence of security markets there is no object in frequently attempting to revalue an investment to which we are committed. But the stock exchange revalues many investments every day and the revaluations give a frequent opportinuty to the individual ...to revise his commitments. It is as though a farmer having tapped his barometer after breakfast could decide to remove his capital from the farming business between 10 and 11 in the morning and reconsider whether he should return to it later in the week."

20) An analysis which ranks as a classical treatment of a very complex historical development was summed up in a chapter whose central content was reducible to the authors' ingenious formula: "he [the stockholder] has in fact exchanged control for liquidity". Berle and Means, *The Modern Corporation*, Chapter VIII, "The Resultant Position of the Stockholder", 277—287, especially 286. See also the illuminating sequel to this work by A. A. Berle, jr. and V. J. Pederson, *Liquid Claims and National Wealth* (New York, 1934).

21) The entire passage is worth citing. "The money market is always as it were the headquarters of the capitalist system from which orders go out to its individual divisions, and that which is debated and decided there is always in essence the settlement of plans for further development". Schumpeter, *Development*, 126.

government which could not — in a capitalist society — stabilize the market for its own securities by its own financial resources, was to undertake measures and carry through policies which would maintain the public credit in the minds of persons with capital to invest for themselves or on account of others: namely, capitalists and financial dealers.[22]) This was so much taken for granted during the 19th and the early part of the twentieth century that it was not regarded as a social but as a natural fact to which governmental life was automatically adjusted. Viewed as a natural fact it found explicit expression chiefly in the tendency to associate a finance minister with special responsibilities to the capitalist and financial community with whom he must be on "good terms".[23]) There was also the common sense view that the policies of government must follow a "prudent" course in order to maintain a favorable market and to avoid drying up public credit. Certainly, an "imprudent" administration would have a shortlived existence since in all likelihood it would also encounter resistance in levying new taxes or even in collecting old taxes at higher rates. Nor is the reality of these pressures attested to only by inference; it was these pressures which tamed many a rebellious or stubborn monarch and which tumbled social democratic adminis-

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[22]) "The value of the funds is liable to considerable fluctuation ... and it is impaired by any event which threatens the safety or weakens the credit of government. It is always much higher in time of peace than in time of war; and is affected by every event and even by every report in time of war favourable or unfavourable". R. Hamilton, *An Enquiry ... National Debt*, 63; cf. *ibid.*, 251 and Leroy-Bealieu, *Traité*, II, 376—390. Said a recent Treasury report: "To maintain confidence in the credit of the United States Government ... has been the basic objective of the Treasury since it was first established. Every Secretary of the Treasury has recognized that, in peace or war, any substantial impairment of the credit of the Federal Government would be a major blow..." *U.S.* Senate, *Monetary Policy and the Management of the Public Debt*, 82nd Congress, 2nd Sess., Doc., 123, Pt. I, 9.

[23]) Hence the animus against "finance ministers who have mostly a "banker's mentality'," in Birck, *The Scourge of Europe, The Public Debt* (London, 1926), 151. Hence also the complaint of international finance-capital which „unsere Staatsmänner wie Marionetten am Drähte tanzen". (W. Sombart, cited by Sultan, [Tübengen,] 1932. But the banker in this case is not a wicked conspirator or an interest separate from the business community proper. Polanyi has aptly stated that "if the trading class was the protagonist of market economy, the banker was the born leader of that class". Polanyi, *Great Transformation* (New York, 1944), 199. This was a St. Simonian truth which has been lost in our non-political economic theory. It was as the agency of the business community that "the banker's twin trust comprised sound domestic finance and external stability of the currency". *Idem.*

trations from office.[24]) Indeed not until these pressures were diverted or repressed by the escape from gold convertibility and circulation and by the establishment of government control over central banks could processes of social transformation become significantly accellerated.

The composite effects of these pressures, linkages and inhibitions on the political life of capitalist society were of first importance. But these effects must be judged in the context of the total process of capitalist society. As in other societies, its political rulers tended to form a segregated elite which pursued its calling by virtue of specialized skills, experience and aptitudes. In sharp distinction from other societies, this elite in capitalist society was not a hereditarily determined caste but was self-recruited.[25]) In the early phases of capitalist society this process of self-recruitment did not hamper the close agency relationship that typically subsisted between the relatively small and well-constituted local bourgeois community and its political representation by a prominent local notable with an interest in public affairs. But as capitalism developed a more complex form of society with a less cohesive local community, its political elite emerged more prominently and developed various forms of more or less formal political organization.[26]) The polit-

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[24]) Paul Serring, *Jenseits des Kapitalismus* (Nuremberg, 1946), 191 ff.; E. F. M. Durbin, *The Politics of Democratic Socialism* (London, 1940), 286 ff.; H. Schacht, *The End of Reparations,* (New York, 1931), ff.; G. D. H. Cole, *A History of the Labour Party from 1914* (London, 1948), 210 ff.; R. M. Haig, *The Public Finances of Post-War France,* 99—113, 239 ff. It was Herriot who in the French national assembly openly expressed discomfiture at the "humiliating" pressure which the government, of which he was premier, underwent because of the large floating debt and desertion of the national currency. *Ibid,* 239. See also Polanyi, *Great Transformation,* 1—15, 198 ff., 299 ff. For analysis, see the concluding section (III) of my paper, "Capital Levy after World War I", *Public Finance* (no. 4, 1952).

[25]) This issue itself has afforded one of the universal themes of social thought—e.g., the literature on the shift of society from "status" to "contract" in Maine, Spencer and Durkheim. In recent sociological literature Talcott Parsons has been distinctive for the emphasis he has given to the implications for social structure of the principle by which persons are allocated to positions in the social system. See Parsons, *Essays in Sociological Theory Pure and Applied* (Glencoe, Ill., 1951), Chapter IV, section 1, Chapter V, section 2. In his later work Parsons has differentiated three main categories of methods for the allocation of status and role among persons; ascription by birth; appointment, "by explicit decision of other persons"; and the method of "competitive allocation" in which the "actor 'tries for' a given role status as a goal of intentional behavior."

[26]) E. F. Schattschneider in his stimulating *Party Government* (New York, 1942) 14 ff. was quite right in insisting that political philosophy stop dealing

ician became a more distinctive type, took on a certain degree of mobility, and acquired a growing range of initiative and influence in policy determination.[27]) To the extent that the suffrage and rights of political participation were formally conditioned upon property and that emphasis upon property and its rights had an absolutist touch, the maneuvering potential in politics was still subjected to a high degree of social discipline. But the hold of this discipline increasingly relaxed as traditional ideas were undermined, as the ferment of rapid social change made its way, as the political elite improved its forms of political organization and self-direction, as the ideological emphasis shifted from that of property to that of liberty, and as in accordance therewith the suffrage and right to participate in the political process of the society became a generic human right divorced from a property basis. It was this dichotomization between the underlying socio-economic order of capitalist society pivoting on property and acquisition and an idyllic and self-evolving political order turning around equality and liberty which Marx thought was a central feature of a developed capitalist society.[28]) In the fuller development of this

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"exclusively" with "imaginary democracies" and recognize that "the assimilation of political parties into the philosophy of government involves a revision of political theory itself".

[27]) See J. A. Schumpeter, "The Communist Manifesto in Sociology and Economics", *Journal of Political Economy,* LVII (1949), 208 ff.; see also his *Capitalism, Socialism and Democracy* (New York, 1942), 288 ff. for a brief discussion of the shaping of "professional politicians" who engage in the competition for leadership or "rivalry for votes". The concept of ruling strata is to be differentiated from the broader "ruling class" generally discussed by the famous Italian politico-sociologist, G. Mosca, but corresponds to his brief discussion of "political elites". Mosca, *The Ruling Class* (trans., New York, 1939), 50 ff. and 430—438.

[28]) With the universal suffrage, wrote Marx, "the last political form to recognize private property", the state "in its fashion abolishes the distinction of birth, status, education and occupation" by declaring these to be "unpolitical distinctions" and without taking these into account "calls upon every member of the community to participate in the popular sovereignty on an equal footing". But the actual social distinctions exist. Hence "where the political state has attained its true development the individual leads not only in thought in consciousness but in reality a double life, a heavenly and an earthly life, a life in the political community wherein he counts as a member of the community and a life in bourgeois society where as he is active as a private person, regarding other men as a means, degrading himself into a means and becoming a plaything of alien powers." Marx, *Selected Essays,* 56. See also the *Gesamtausgabe,* Bd. I, erst halb, 436. This dichotomization runs thrugh Marx's early political writings. See. H. P. Adams, *Karl Marx in his Earlier Writings* (London, 1940). Hence the experience of the 1848 wave of revolutions in Europe and the crucial outcome of the French Republic led Marx to believe "that in lands with old

society another great intellectual figure, Max Weber, saw the fruits of this dichotomization evolve the uglier phenomena of "plebiscitary democracy", the exploitive party of professional politicians, the bureaucratized mass party, the "demagogic leader" with his manipulation of mass emotionality. [29]) These more or less morbid political developments were an expression of the strong tendency to irresponsibility inherent in the open politics of a massed and uprooted society, "absolutely irreligious" and only loosely bonded together as a mere "congeries" of "possessors and pursuers", dependent for its motivation on a belief system compounded of an unstable combination of bluff, fraud and fear, and given to effectuating its purposes by pressure group politics tinged with a strain to corruption on the one hand and to utopianism on the other. [30])

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civilization, with a developed formation of classes, with modern conditions of production and with an intellectual consciousness by which all traditional ideas have been absorbed by the work of centuries, the republic signifies in general only the political form of revolution of bourgeois society and not its conservative form of life as for example in the United States... where though classes already exist they have not yet become fixed but continually change and interchange their elements in constant flux, where the modern means of production instead of coinciding with a stagnant surplus population rather compensate for the relative deficiency of heads and hands and where finally the feverishly youthful movement of material production which has to make a new world its own has left neither time nor opportunity for abolishing the old spirit world." Marx, *Eighteenth Brumaire of Louis Bonaparte* (Moscow, 1948 ed.), 28. Through grown from a review of experience, Marx's conclusion, however, inadequate retrospectively, was supported by the traditional judgement of political philosophers. "The universal and chief cause of this revolutionary feeling," said Aristotle, is "the desire of equality when men think that they are equal to others who have more than themselves." *Politics,* Book V. Chapter 2. "In a democracy," wrote Rousseau, "where the subjects and sovereign are only the same persons considered under different relations the minority no sooner grow richer than the state is ruined and must change its form." "Letter to d'Alembert," *The Miscellaneous Works of Mr. J. J. Rousseau* (London, 1797), III, 166.

[29]) Max Weber, "Politics as a Vocation", *Essays on Sociology* (trans., New York, 1946), 83—113; *Politische Schriften* (Munich, 1921), 139—224. These more or less morbid forms of political life were an outgrowth of that larger process of social disorganization which W. Röpke has so trenchantly analyzed in his *Die Gesellschaftskrisis Der Gegenwart* (4th ed., Zurich, 1942). The keynotes of this development were rapid agglomeration of new population growth in crowded cities without stable social hierarchy, uprooting from the soil and nature, proletarianization, materialization of attitudes, dissolution of the faiths that make a stable social order possible, and so on.

[30]) On the "place occupied in all cultural traditions of complex societies by a 'romantic-utopian' element which is partly and in some sense equivocally institutionalized," see Parson's illuminating analysis in *The Social System,* Chapter VIII (p. 423 of multilith); and see also his *Religious Perspectives in*

This dichotomization of the specifically political from the social system could not have proceeded very far without being offset by the emergence of counteracting mechanisms capable of disciplining the libertarian impulses of the specifically political regime and of keeping the utopian and exploitive potential of the society in workable balance with its functional requirements. Viewed in this context I think it can be said that the public debt was one of those mechanisms. With the state barricaded and protected by a debt and drawn by this debt into multifarious forms of dependency upon the dominant capitalist strata, the political life of the society could be given freer rein. It would even be easier to go farther along the risky path of democratization, mass enfranchisement and toleration of dissenting movements.[31]) A large public debt thus served the same stabilizing and protective function as has come to be associated with a fixed and freely convertible national currency.[32]) Historically these devices were associated with the protective sheathing in England and the Continent of a feudal crown and aristocracy or, as in the case of the United States, of an indigenous growth of strict constitutionalism linked with judicial supremacy and a well

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Sociology and Social Psychology (multilith, 1952), 21 ff., 27 ff., The expression from Keynes comes from his *Essays in Persuasion* (New York, 1933), 306: "for modern capitalism is absolutely irreligious, without internal union, without much public spirit, often though not always a mere congeries of possessors and pursuers." The expression "bonded together" is drawn from P. Sorokin, *Society, Culture and Personality* (New York, 1947), Chapter XIV, "Differentiation of Population into Multibonded Groups", 236—255. On the deep-rootedness of pressure group politics, see Bentley, *The Process of Government* or David Truman's new work, *Governmental Process* (New York, 1951). On the role of "fraud" and "bluff" in the motivations and beliefs which made capitalist society a workable social order, see Keynes, *Economic Consequences of the Peace,* Chapter II, section 3, "The Psychology of Society", 18—22; Parsons, *Structure of Social Action,* 288 ff. See also Karl Manneheim's illuminating discussion of "substantial rationality" and "functional rationalization" in social process. Mannheim, *Man and Society in an Age of Reconstruction* (New York, 1949), 41—78; and finally, see Bagehot's concern over the "instability" of a " deferential" polity. Bagehot, *The English Constitution* (World Classics ed., 1928), Chapter VIII, 239 ff.

31) Schumpeter for his part was convinced that "so safe and so convinced of its safety was the bourgeoisie that it went politically bejond the lengths compatible with the survival of its economic and social pattern... blissfully unaware of the explosive forces that gathered below the surface." Schumpeter, *Business Cycles,* I, 306.

32) On this function of the gold standard see J. M. Keynes, *Treatise on Money* (London, 1930), XXXIV—XXXVI; Polanyi, *The Great Transformation,* Chapters II, XVII, XIX; J. Schumpeter, „Kreditkontrolle", *Archiv fur. Sozialwissenschaft,* LIV (1925), 293 ff., 298 ff., 310 ff.

buttressed federalism. [33]) These are all devices which with varying degrees of effectiveness and in different combinations have been instrumental in permitting an immense wealth potential to be subjected to the sometimes irresponsible tides and uncertainties which beset the popular politics of developed capitalist society.

Failure to account for the working of these devices warped the balance of many analyses of democratic politics which ran in unduly pessimistic terms. [34]) Certainly the restrictive role of these devices, which over long periods has been all too powerful, has frequently been brought to light. [35]) What has not been noticed adequately, however, is that the marked success of these devices has made it possible to widen the bounds of permissiveness with which liberalizing and reform tendencies could be tolerated without placing in jeopardy the key institutions of the social order or endangering its stability. This will be regarded as no mean achievement to those who feel that the most difficult task of a social order is to accomodate both stability and progress and dissent and loyalty. [36])

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[33]) Schumpeter, *Capitalism, Socialism, and Democracy,* 134 ff. On the still potent role of the monarchy, see L. S. Amery, *Thoughts on the Constitution* (Oxford, 1947), 4 ff., 8.

[34]) This is particularly true of Continental critics of liberalism who never appreciated its strength in England and in the United States. On the other hand the remarkably insightful criticism of J. Schumpeter and Frank Knight (in his 1931—1935 period) is chiefly vitiated by inadequate reckoning with the stabilizers of the liberal polity. See Knight's articles, "Economic Theory and Nationalism", *The Ethics of Competition,* (New York, 1935) 293—305, 316f; "Social Science and the Political Trend", *Freedom and Reform* (New York, 147) 19—34.

[35]) Though it has frequently been denied or abusively presented, the case is overwhelming for this interpretation of constitutionalism, buttressed by judicial supremacy and federalism — a protective device for what the critics called "capitalism" and what advocates called "freedom". See the scarcely veiled appreciation of it in Woodrow Wilson's, *Constitutional Government in the United States* (New York, 1908), 143, 146, 149, 170 ff., 178 ff.; F. Hayek, *The Road to Serfdom* (Chicago, 1945), 234 ff.; H. Finer, *Theory and Practice of Modern Government* (rev. ed., New York, 1949), 189 ff.; Max Lerner, *Ideas for the Ice Age* (New York, 1941), 232—265; H. Simons, *Economic Policy for a Free Society* (Chicago, 1948), 1—39, particularly 12 ff., 15 ff., 21 ff.

[36]) "Civilization is a tradition from the past, a miraculous construction made by our fathers of which they knew the vulnerability better than we do, hard to come by and easily lost." J. M. Keynes, "The United States and the Keynes Plan", New Republic, July 29, 1940, 159.

BOOK REVIEWS/CRITIQUES

Report of the Commission on Intergovernmental Relations. (Washington: United States Printing Office, 1955. Pp. 311. $ 1.25.)

On June 20, 1955, the special study Commission on Intergovernmental Relations, created two years previously by act of the United States Congress, transmitted its Report to the President. Simultaneously the Commission issued fifteen other documents: surveys and analyses of specific problems and sectors of the broad field of intergovernmental relations in the complex American federal system, prepared by the Commission's staff, study committees, and research agencies under contract. Those publications, also available from the United States Printing Office, were as follows:

Study Committee Reports:
Federal Aid to Agriculture. (Pp. 38. 20 Cts.)
Federal Aid to Highways. (Pp. 40. 20 Cts.)
Federal Aid to Public Health. (Pp. 53. 25 Cts.)
Federal Aid to Welfare. (Pp. 115. 40 Cts.)
Federal Responsibility in the Field of Education. (Pp. 154. 50 Cts.)
Unemployment Compensation and Employment Service. (Pp. 100. 35 Cts.)
Natural Resources and Conservation. (Pp. 35. 20 Cts.)
Payments in Lieu of Taxes and Shared Taxes. (Pp. 197. 60 Cts.)
Local Government. (Pp. 62. 25 Cts.)
Natural Disaster Relief. (Pp. 34. 20 Cts.)
Staff Reports:
Civil Defense and Urban Vulnerability. (Pp. 35. 20 Cts.)
Federal Aid to Airports. (Pp. 137. 50 Cts.)
Other Reports:
A Description of Twenty Five Federal Grant-In-Aid Programs. (Pp. 138. 55 Cts.)
Summaries of Survey Reports on the Administrative and Fiscal Impact of Federal Grants-In-Aid. (Pp. 120. 50 Cts.)
A Survey Report on the Impact of Federal Grants-In-Aid on the Structure and Functions of State and Local Governments. (Pp. 489. $ 1.50.)

Those documents comprise the first official and comprehensive appraisal of the American federal system — the model of federalism — since its inception in 1789. Indubitably this two year project, supported by liberal appropriations, is the most comprehensive

analysis of federal relations in history. It will be a major reference for years to come — notwithstanding the dated character of some of the content.

The official study inspired numerous private, official, and semi-official surveys. In nearly every state, the legislature or the governor jumped on the bandwagon and established similar study commissions, several of which issued reports. The state reports furnished helpful data on relations between the national government and the respective states, but their findings and recommendations inevitably tended to be parochial.

A more valuable survey was that initiated by the American Political Science Association and published by the Commission. Political scientists resident in twenty five states examined the impact of federal grants on the structures and functions of state and local government. Applying a standard pattern of inquiry, they focused on the political effects, specifically the impact of grants on the office of governor and the state administration; on the state legislatures; on citizens, parties, and pressure groups; and on state-local relations and local government. The reports of the political scientists indicate clearly that American federalism is in a good state of health, that federal grants have been and continue to be a valuable instrument of federalism, and that many of the most common criticisms (broadcast in recent years by conservative groups) have little or no basis in fact. Federal grants, they said, have "had little adverse effect in a majority of the states studied. In other words, the political complaints on this score have been exaggerated." They found that federal grants generally have not had a deletarious effect on the role of the governor, the unity of state administrations, the functioning of legislatures, or state finances. "On the whole, 'cooperative federalism' is working successfully."

The Commission's *Report* is in two parts. Part I is largely introductory, consisting of chapters on the evolution of the American federal system, the role of the states, national responsibilities and cooperative relations, financial aspects, and grants-in-aid. Part II — the bulk of the document — surveys "intergovernmental functional responsibilities" in the various functional areas, with specific and detailed recommendations relative to each of the federal grant programs. The excellent summary of the constitutional evolution of American federalism (ch. 1) should be useful to non-American students.

Evidently the Commission construed its statutory mandate to be primarily the study of federal grants and interlevel allocation of functions. The *Report* and the accompanying studies devote suprisingly little attention to fiscal problems of American federalism,

except incidental to treatment of each grant program. (Possibly the Commission believed that fiscal aspects had been treated sufficiently by preceding studies.) Only one study dealt primarily with fiscal matters, and that with only one sector, albeit important, of federal fiscal relations.

The Commission's brief chapter on Financial Aspects, while generally sound, contains little that is new, basically approves of the existing arrangements, and makes no startling suggestions for change. The principal ways in which the national government may strengthen state and local finances are not by augmenting grants, or by use of block grants or subventions, but by maintenance of a high level economy, by moderation in federal taxes and expenditure, by more tax coordination, and by wider in lieu of tax payments. (At numerous points the *Report* reflects a yearning for lower federal taxes, the Commission consisting principally of conservatives and state officials.) The Commission rejects the frequent proposal of federal grant critics for simultaneous reduction of federal grants and federal taxes, because such would intensify the fiscal problems of lower income states.

The Commission emphatically endorses the present pattern of particularized grants-in-aid, because, it asserts, the fundamental purpose of the forty-odd grant programs is to stimulate and support particular functions of state and local governments, not to equalize state fiscal capacity. On that premise, it vigorously opposes block grants or any general equalizing measures, because subventions "and the higher Federal taxes necessary to finance them might interfere with the dynamic forces in the economy that tend to reduce differences in state fiscal capacities." That assertion, scarcely documented, is less than convincing to this reviewer. One suspects that the Commission's abhorence of high taxes was the controlling factor.

The Commission adopts by reference the recommendations of the study committee on *Payments in Lieu of Taxes and Shared Taxes*. That report is the most thorough analysis to date of the knotty problems created by the American constitutional doctrine of intergovernmental tax immunity. The guiding principals proposed for classifying the varieties of United States government property and instrumentalities, and their proper treatment under state and local tax laws, should be helpful to any nation (federal or unitary) where a property tax is the main revenue of local government. This monograph is a genuine contribution to the literature of public finance.

In appraising the respective federal grant programs, the Commission recommends numerous modifications (few that are original),

but it does not recommend the abandonment of a single major grant. The Commission, which was inspired by political groups antagonistic to federal grants and "big government", discovered that the grant-in-aid is a mature element of American federalism. (This is about as profound a discovery as that the automobile is here to stay.) Accepting then the inevitable, the Commissions' general position is one of holding the line against any extension of federal grants. Thus its handpicked study committee on education wrote a report — a brief — against federal aid to either general education or school construction. The unrepresentative character of the Commission (and its study committees) is demonstrated by the fact that subsequently President Eisenhower has proposed a federal grant program in excess of a billion dollars for school construction.

The *Report* of the Commission probably is disappointing to the prime movers of the project (cf. reviewer's article, this journal, vol. 9, no. 2). It will not revolutionize the American federal system, nor will it wipe out the New Deal, nor reverse the tide of history. While Americans surely should continue to be concerned about strengthening the lower echelons of their tri-level government, this extensive survey merely confirms what already has been verified abundantly by experience. American cooperative federalism has been tested by severe vicissitudes of peace and war and has proved sound.

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Les Entreprises d'Etat et la Réforme de la Comptabilite Publique, par Max Frank, Bibliothèque de l'Institut belge de Finances publiques — Imprimerie Excelsior, Anvers, 1955 — VII + 351 pages.

L'ouvrage „Les entreprises d'Etat et la réforme de la comptabilité publique" de M. Frank, publié en 1955, est patronné par l'Institut belge de Finances publiques qui s'est préoccupé, ces dernières années, de la réforme de la comptabilité publique.

L'auteur constate tout d'abord que comme dans bien des pays, les administrations belges sont régies par des règles budgétaires, comptables et financières qui datent du siècle dernier et qui sont peu conformes aux exigences de services à caractère industriel ou commercial.

Il souligne d'autre part, que c'est la rigidité excessive de la loi sur la comptabilité de l'Etat qui est, en Belgique, à l'origine de l'instauration d'un grand nombre d'entreprises publiques, en personnes publiques distinctes de l'Etat: Régie des télégraphes et téléphones, Société nationale des chemins de fer belges, Régie des services frigorifiques de l'Etat belge, Ports autonomes de Liège et de Bruxelles, ainsi que de nombreux parastataux financiers, etc...

M. Frank recherche une solution aux problèmes que pose cet état de choses.

Il propose certaines réformes destinées à améliorer les règles qui président au fonctionnement des entreprises du secteur public à caractère industriel, commercial ou financier et de leur accorder, pour ce faire, une large autonomie comptable, financière, voire de gestion, *tout en ne leur octroyant pas la personnalité juridique*.

C'est sur ce dernier point que M. Frank se distingue des autres auteurs qui ont toujours estimé, à tort pensons-nous également, que la personnalité juridique constitue le soutènement indispensable à l'octroi d'une large autonomie technique.

La thèse qu'il défend répond, en fait, au souci de mettre un frein à la désintégration de l'unité de l'Etat.

Il convient encore de souligner que l'ensemble des règles de comptabilité publique prévues ont été soigneusement étudiées en fonction de leur intégration à celles de la comptabilité nationale.

La première partie de l'ouvrage est consacrée à la législation belge actuelle, ainsi qu'aux principes qui président à la pratique des entreprises d'Etat en matière comptable.

Il y est constaté que la loi du 15 mai 1846 ne s'oppose nullement à l'instauration d'une comptabilité commerciale ou industrielle dans les services de l'Etat, qu'il suffirait pour réaliser cet objectif de modifier simplement les arrêtés d'application et que d'ailleurs cer-

tains services, tels que l'Administration des postes et la Régie du Moniteur belge, tiennent déjà une telle comptabilité.

D'autre part, les règles de la comptabilité publique constituant un obstacle à une bonne gestion, l'auteur estime indispensable d'envisager, pour certains services publics, l'octroi d'une autonomie suffisante, tout en maintenant la tutelle de l'Etat.

La deuxième partie présente une analyse approfondie du statut des entreprises d'Etat aux Pays-Bas, en Suisse et en France.

Un commentaire détaillé de la loi néerlandaise sur les entreprises d'Etat (Bedrijvenwet de 1928), accompagné d'une traduction française inédite de celle-ci attire, plus particulièrement l'attention sur la comptabilité publique des Pays-Bas qui est devenue une des meilleures du monde entier, en raison de la conjonction qui s'y est opérée entre les principes classiques du droit budgétaire français et les conceptions pragmatiques des pays anglo-saxons.

La troisième partie enfin, contient un avant-projet de loi introduisant des dispositions propres aux entreprises d'Etat dans la loi sur la comptabilité générale de l'Etat.

Cet avant-projet touche aux domaines suivants: budget, comptabilité, reddition des comptes, contrôle, règles de gestion, trésorerie; plus particulièrement, il maintient les entreprises visées sous l'autorité d'un Ministre, assouplit certaines règles traditionnelles — existence de crédits non limitatifs, soustraction de certaines opérations au visa préalable de la Cour des comptes —, prévoit la tenue d'une comptabilité industrielle ou commerciale et, enfin, l'établissement d'un compte de pertes et profits et d'un bilan.

Cette étude sera lue avec intéret par tous ceux qui se préoccupent de concilier les exigences d'une gestion appropriée des services industriels et commerciaux de l'Etat avec la nécessité d'assurer au pouvoir exécutif et au parlement le contrôle efficace de cette gestion.

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ON NATIONAL TAX REALITIES AND INTERNATIONAL TAX COMPARISONS[1])

A Survey

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The paying of taxes has never been considered a pleasure. Most of the tax payers in most countries feel most of the time that they are worse off than their equals were and are elsewhere. They are inclined to strengthen this their belief with odd bits of information from abroad, gathered at random. Similar to theirs is the way the demagogue politician prepares his tax argument when he bids for the vote of the common man, or for the campaign funds of the rich. This is commonly called "International Tax Comparison."

Yet, there is another, and somewhat more serious kind of exercise carrying the same name. The conscientious statesman, before legislating in the tax field, or introducing reforms in tax administration and jurisdiction, feels that he ought to look before he jumps. So he may do one of two things: he may trust his own judgement and ponder the matter as deeply as his time allows; or, going to extremes, he may consult with the learned in the field. He may even commission a study.

These learned men have, out of their own scientific curiosity, and moved by the desire to assist the statesmen, collected a big and slowly changing body of factual material, and developed tools for sorting and analysing it, which constitutes that branch of learning we call "Public Finance", [2]) and within it a division deserving better

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[1]) This study has grown out of a research on International Income Tax Comparison in 1954 invited by the "Second Committee for Israel Income Tax Reform". This was performed by the Israel I F A -Branch in co-operation with the International Institute of Fiscal Documentation. To the countries originally selected for comparison for obvious reasons of similarities of size, state of development or tax legislation, others, upon the express wish of the Committee, amongst the rest U.S.A. France, and Italy, were added.

The general remarks offered in Parts I — V are based on deliberations and studies made since the beginning of this research. They are somewhat limited, as to literature used, by what has been accessible in the author's country. H. Beckendorffs "Zur Methodik..." and R. Goode's "Welfare Implications..." in this volume were published too late for discussion.

A general Note on statistics used will be found at the beginning of Part VI.

[2]) cp. *G. Colm:* Why Public Finance? N.T.J., I (3), 1948, pp. 193ff, esp. 205 f.
P. Strayer: Annual Meeting A.E.A. '51, Am. Ec. Review XLII pp. 144 f.
A. T. Peacock: Neuere Entwicklung in der Theorie der "Fiscal Policy", F.A., N.F., Bd. 16 (2), p. 205 (1955).

the name of "International Tax Comparison". In it they try to compare the tax realities of different countries.

In order to do so they have, first of all, to collect data on, describe, and analyze, for each individual country, a very complex background of its social, economic, legal, and administrative structures; and of their trends and tendencies of development. After such preliminaries they can start describing their taxing methods and concepts and what is known about their influence on the structures. Only then arises the problem of an international comparison of such national tax realities. Finally, they are in a position to try and compare tax totals of different countries, and to show how they are related to the totals of their social and economics structures. Then they may endeavour to find out in which proportions more or less comparable groups and classes within the different national communities contribute to the tax revenue. They may venture to conclude how different distributions of the taxes are apt to influence the social and economic welfare of countries, classes, and groups.

Some ways of reasoning in Public Finance are generally accepted; some of its tools seem fairly adequate.

We shall hereafter deal with the complexities of the field in general, with some aspects of the virtues and shortcomings of the material collected, and the tools used; then we will try, by using some of the best material at our disposition, and some of the least doubtful ways of grouping and tools of analyzing it, to establish a small set of "results" on the basis of such statistics as are available.

This means, on the other hand, that in passing we shall have to pass over, and to pass judgement on, less reliable material, and more doubtful ways of arranging and tools of analyzing it.

I

Let us first sketch an outline of such facts as ought to be assembled for a realistic background of a country, against which its tax reality grows and has its being. But let it be understood that any such study must be limited to some period or other. Of all the details mentioned hereafter, we ought to know how they apply to such period.

The primary realities of a political commonwealth being its area and its population, we ought to know, and can fairly easily assemble, figures on both, including, as far as exploration reaches, such on the natural resources of the country and the degrees and prospects of their developments, and such on the density of the population, its natural growth, and migration trends.

Next, we ought to know something of the occupational structure of manpower; trained skills available; limiting factors such as illiteracy, lack or presence of the bookkeeping habits, labour immobility, etc.; degree of employment; manpower reserves not yet drawn into the market economy; the age structure, distinguishing those of normal working age (according to the local rules and conventions) from those too young or too old for participation in the production process; price-, wages-, and profits levels, and consumption patterns. All these will lead up to an insight into the distribution of income and wealth among classes and groups of the population; global sums of national product, national income and wealth; the inherent economic tendencies towards their redistribution; and the, so to speak, natural trend of development: stagnation or growth.

We should also be in the possession of sufficient details to understand the political structure of the country; the authorities established on all levels; their tasks, needs, and resources, be they revenue yielded by public property and public enterprises; internal and foreign grants and loans received by the authorities; own currency issued or withdrawn, and foreign currency handled by them; the monetary situation and its changes, including credit facilities, etc.; and changes in the purchasing power of the monetary unit, within the country and in international trade.

II

Against this general background for any single country, there should then be constructed the pattern of its tax reality. From its political, social, and economic history could be derived an idea of the traditional and ideological forces expressed in the tax reality of the country. When trying to formulate this, we find ourselves before two difficulties.

The first one, which at this date is insurmountable, is that logically the tax pattern should include what might be styled "negative taxes"; or, less abstractly speaking, that taxes should be shown as counterbalanced by benefits supplied by the authorities, and accruing to the taxpayer. If we define such benefits as including divisable and indivisable benefits, we have done no more than weighing the two sides of the budget against each other, giving arithmetical expression to the idea, that there exists nothing like a tax burden, as the nation receives for the taxes levied whatever the Government pays with them. If we include divisable benefits only, we immediately have to face the difficulty that such benefits as are not payments (transfer- and subsidy payments) are goods and services, of which the distribution is widely unknown.

The investigations in G. F. Shirras and L. Rostas "The Burden of British Taxation", 1942; Barna: "The distribution of Incomes through Public Finance in 1937", 1945; and A. M. Cartter: "The Re-distribution of Income in Post War Britain", 1955, are highly stimulating, but greatly arbitrary, analyses trying to establish the weight of existing tax structures on persons of varying incomes. [3]). We may well be allowed to doubt whether their common aim, though most desirable, can be attained, or even approached because of our lack of actual knowledge on the division of benefits.

If we limit ourselves to benefit payments, we should be on firmer ground, if only statistics on Public Finance were better. As it is, the data available, and especially the internationally collected data, do not lend themselves to meaningful comparisons, neither between taxes minus benefit payments for different years in single countries, nor between countries.

Data on "Subsidies" are available for many countries in Table 6 of the U.N. "Statistics of National Income and Expenditure, [4]) as part of National Income accounting; for the same countries we find a second series of data in the "Public Finance" part of the Statistical Yearbook 1955 (Budget figures). These two groups of figures do not differ to any great extent for Australia, New Zealand, France and the United Kingdom. The figures of both groups are not well comparable for Germany, Netherlands and Norway. For Israel part figures (food subsidies) for the years from 1948/49 — 1954/55 are published in the Government Yearbook 1955, p. 149. They differ from those in the "Public Finance" section of the U.N. Statistical Yearbook insofar as the figure for 1952/53 is higher by 5% than that now published by the Israel Government; likewise, the U.N. Statistical Yearbook states for 1953/54 that no moneys are ascertainable as subsidies, whereas the Israel Government publishes a figure higher by 15% than that of the year before. Widely different figures on subsidies are contained in unpublished "Studies on National Expenditure of Israel 1952—1954" by Lubell, and on "The Public Sector in Israel from its Financial Accounts, 1948—1955" by Barkay (Falk Project). These series give for 1952 and 1952/3, respectively, the figure as O; for 1953 and 1953/4, respectively, a total figure approximately seven times as big as the part figure quoted.

The weight of "Subsidies" as against "Indirect Taxes" shows that at an average they do not exceed 5—10% of the indirect taxes. In U.S. they are much less. They are more than this in Sweden (15—20 %), New Zealand (20 %), U.K. (25—15 %), Japan (declining from 40 % to 4 %) and in Norway (60—40 %).

No such reckoning seems instructive for Israel, where the extra-budgetary figures, forming the bulk of this expenditure, are not sufficiently known.

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[3]) An excellent list of literature on the problem in Carter, op. cit. pp. 3f.

[4]) See: "Key to Sources" p. 314.

The case is worse for the Social Insurance Systems. The systems used in modern countries show such wide discrepancies of methods for levying the necessary amounts, that their inclusion in our pattern seems unreasonable for international comparison purposes. On the other hand, there are important cases, in which the data given do not clearly enough distinguish them, or do not distinguish them at all, from other tax revenue, or from other welfare expenditure, so that their exclusion is not feasible either. [5]).

From the figures used in this study — for Central Government as a rule those of the U.N. Statistical Yearbook 1954 — almost no information can be gathered about the extent of p u b l i c social security schemes (the tables on "Social Security Schemes" given in the Yearbook (167/68) do not help here, as they cover non-governmental schemes as well, without distinguishing between both; the "Note" to these tables stresses the wide disparity between countries). Figures called "Social Securities Expenditure" include sometimes indivisible benefits of various descriptions; or give amounts transferred to trust funds (but similar payments may also be included under diverse other headings); or do not include them at all.

In the following we give a few outstanding examples of "Social Security E x p e n d i t u r e" as mentioned in Budget Accounts in approximate percentages of the total Budget Expenditure of Central Government: Argentina 10—20%; Australia ("unilateral payments") about 23%; Denmark about 20%; Germany 15% + "war-related Social Welfare outlays" ca. 25%; New Zealand "monetary" ca. 30% + non-monetary 5%; Sweden 25%. Of the rest, for Norway a figure is given of about 8%, excluding "health"; for U.K. of 6—8%, including "Health, Housing, National Insurance"; for U.S. of about 4% + 2,5% "Transfer to Trust Funds" (almost equal to "Employment Tax")+15 to 6 %. "Transfer to Veterans". In none of these countries, except New-Zealand, figures are ascertainable from budget accounts for other than government participation in these schemes. Sometimes a footnote mentions that Employers' Contribution to Soc. Sec. Schemes, or Payroll-Tax, is included in "other indirect taxes", without specification. In U.S. the "Employment Tax" is listed in Budget Accounts, but not in the "Consolidated Revenue Account for all Tiers" (Table 458 U.S. Stat. Abstract '55) we have used. A footnote for Australia in the U.N. Yearbook states that Soc. Sec. contributions and payroll taxes are included in "Income Tax". Only New Zealand shows a separate "Social Security Tax", amounting to about 22—23% of all taxes, and levied at a proportional rate on all taxable incomes (individual and corporate) in addition to the progressive income tax.

Visine, in his article in "Public Finance" [6]) has based his calculations on the total Fiscal and "Parafiscal" Receipts. The comparison

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[5]) cp. *F. Visine:* La signification des statistiques fiscales et leur utilisation, P.F., X, 1955, pp. 14f.

[6]) cp. F. Visine: op. cit. n. 5.

between his figures and ours is therefore handicapped by the fact that we have no means of ascertaining how far these "parafiscal" figures contain sums that appear in the figures used here.

Visine's figures are built on OEEC material, not generally available. Lately, more such material seems to have been put to the disposal of the Swedish Tax Payers' Association.

An international comparison, published by them (Sunt Fornuft No. 3, March 56; quoted in C 31; cp Key to Sources, p. 314 below), of tax burdens for 1954 in percentages of G.N.P./mp continues Visine's method, including with the tax figures such for Social Insurance which vary from 0.7 % for Sweden to 9.6 % for France, i.e. differences approachting at the maximum 9 % of the G.N.P./mp; the curious fact is that after elimination of Social Insurance from the tax figures compared, there remains for those seven countries enumerated there, which are also treated by us, figures varying between 22.0 % and 26.6 % of the G.N.P./mp, i.e. at the maximum a difference only half as big as that of the Social Insurance figures.

The second difficulty springs from the fact, that attention is commonly concentrated on the Central Government only. It is obvious, that the material concerning Central Government is much easier and much quicker accessible than that of the lower tiers; but it is equally obvious, that this latter is mainly of the same nature as the former, and that its totals are everywhere considerable enough to let their ommission seriously distort the resulting pattern. If in the latest study in the field E. M. Cartter [7]) limits himself to the study of the Central Government fiscal program, dismissing Local Finance as more closely bound by tradition and, therefore, not a malleable instrument for income redistribution, this seems a somewhat cavalierly treatment. There may even be method in it. He calls Local Authority Finance "probably moderately redistributive", and explains this statement by saying that "the (local) rate burden is probably slightly regressive." [8]). This is all the attention paid to an item amounting to approximately one eight of all the taxes raised in the year, and to one sixth in the year after, in the country studied. In other countries its share is even higher. An international survey shows that Cartter's neglect is no isolated case, but is typical all over the inter-

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[7]) *E. M. Cartter:* Redistribution of Income in Post-War Britain, O.U.P., 1955, p. 5.

[8]) *E. M. Cartter:* l.c. n. 12; cp. against this the stressing of the necessity to consider the taxburden of taxes imposed at all levels of Government taken collectively in Hansen and Perloff, State and Local Finance in the National Economy, W. W. Norton & Co, 1944, p. 249.

national field. The picture as revealed from statistical material of many different sources is given in Appendix A.

Older ideologies demanded that taxes should be "just": we could not tell exactly what that means; or "equal": this would, in the extreme, lead to a single poll tax; or "neutral". The concept of neutrality seems to have been that the State should not, via taxes, unbalance the, as it were, natural economic equilibrium (infringe the position of vested interests), or distort the, as it were, natural trends of economic development. All these positions have long been given up as meaningless, or as socially or economically untenable. [9]). Tax patterns bring about, intentionally or unintentionally, changes in the social and economic structure of a nation, and, more specifically, influence production and consumption. We should, for every single country, try to analyze in which directions these changes go, and what is the order of their magnitude. But we must realise that we are on dangerous ground. In order to judge correctly, we must try to take a stand on the problem of tax incidence.

What do we really know about tax incidence, about the shiftability and the actual shifting of taxes? Traditionally, taxes are subdivided into direct and indirect taxes, the idea being that the first fall upon the legal payer of the tax, and cannot be shifted, while the contrary applies to the latter. This would be quite all right if both were but names designing what we have just defined. But this is not so. The names are traditionally applied to specific kinds of taxes, as distinguished by the persons, pieces of goods, services, transactions, etc. described in the tax laws which impose them. This legalistic approach has been modified by a nearer economic one, which distinguishes taxes connected with income and wealth (including corporate profits) from the rest; or, as the latest school will have it, between income and outlay taxes. [10]). The implication, however, is that taxes on income and wealth, including business profits, fall on the legal payer of the taxes, while the rest do not.

This assumption, amongst the rest, underlies the concept in Social Accounting of National Products at market prices on one hand, as including all indirect taxes, and of National Income on the other, leaving them out.

In the case of direct taxes on personal income and wealth the traditional assumption seems to be generally valid. Most people do not have the opportunity to shift the burden of income tax to others,

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[9]) cp. *F. Neumark:* Die budgetaeren und steuerlichen Aspekte einer wirtschaftlichen Integration, General Report to I.I.F.P. 1953, W. P. Van Stockum & Fils, La Haye.

[10]) cp. *U. Hicks:* Public Finance, Nisbet & C.U.P., 1947, passim, esp. p. 155.

although this may be possible to some extent for those who provide direct consumer services. A further possible exception to the rule will be found discussed later on. (pp. 304f).

In the limiting case, (which, some persons think, may become the rule) of an inflationary period, where wages are largely linked to cost-of-living index, the chances that an increased tax on wage income could be — at least temporarily — shifted to employers, may be considerably greater; but even here it is difficult to determine whether it is the tax itself that occasions the wage rise; nor does the shifting usually then stop at the employers.

If we turn to taxes on profits, it becomes more difficult to make any single generalisation concerning incidence. In a world of perfect competition profit taxes could not be shifted; but this presupposes the "homo economicus" on all sides, who actually maximises his profits. It leaves out monopolies, oligopolies, price cartellisation, etc. With our "imperfect" world conditions, however, it seems that owners of business concerns shift at least part of the tax forward to consumers or backward to other agents of production.

Profit taxes may be (wholly or partially) shifted forward in the form of higher prices, if business men commonly allow for them in estimating their per-unit costs, or if the tax discourages restraint when the producers could charge more and increase gross profits, or if profit taxes retard long-run business expansion.

Musgrave and others [11]) used six different assumptions on profit tax incidence. As the standard case they accepted that under the circumstances prevailing in U.S. at that time one third of the profits tax fell on consumers, one eighth on wage-earners, and the remainder, roughly 55%, on profits. In times of strict wage and price controlls the possibility of shifting may be greatly reduced.

Against this, Visine (Paris) has lately [12]) shown for six countries for the time from 1948—1951, that in a period of inflationary trend there exists a tendency of identical behaviour between company taxes and indirect taxes, as compared with the National Product and the price movement. He makes it likely that it is artificial to presuppose an influence of the latter on the price level in such a

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[11]) *R. A. Musgrave and others:* The Distribution of Tax Payments by Income Groups: A Case Study for 1948, N.T.J., 1951, pp. 1ff.

[12]) *F. Visine:* op. cit. (n. 5) p. 31.

[12a]) Industrial practice has for some time now tended to anticipate profits taxes by more or less openly including an estimate for them in costing operations. Such practice was even officially approved in Germany in World War II in the directives published for costing for public tenders; cp. Hess-Zeitler, Kommentar der R.P.Ö. [2], und L.S.Ö. p. 105, Hamburg 1943 (quoted in G. Schmölders: Finanzpolitik, Springer, 1955, pp. 229f).

period while denying it for the former; with other words, his tables point to a close identity of incidence for both.

The problem of the incidence of profit taxes, therefore, seems not to be settled one way or another, or halfway. We have to come back to this later. (p. 305).

As for customs and excise taxes, there seems to be no reason against the general agreement that their incidence is primarily on the consumer.

So far, for what U. Hicks [13]) calls the "formal incidence". From it she distinguishes as "effective incidence" the difference between the economic set-up (distribution of consumers' wants and incomes, and allocation of factors) as it is with the tax in question in operation; and of a similar economic set-up, but without the tax. [14]). In the absence of a tax, it could be concluded that the difference is shared by consumers with entrepreneurs through lower profits, and with wage earners through diminished employment.

The price and output adjustment arising from a general excise tax, however, cannot be assumed the same for every industry, some prices increasing more, some less than the tax per unit of sales.

Findings about the incidents of a tax show the way to judging of its progressivity and regressivity, respectively. These we may try to measure. But we have no standard to measure an, as it were, iniquity implied. [15]). Only a socio-economic approach considering a "tax-system" as a whole will lead to accepting or declining in equity the result. This is what Marshall [16]) had in mind when he said: "All onerous taxes and rates must be judged in equity as a whole. Almost every onerous tax, taken by itself, presses with undue weight on some class or other; but this is of no moment so long as the inequalities of each are compensated by those of others, and variations in the several parts synchronize. If that difficult condition is satisfied, the system may be equitable, though any part of it, regarded alone, would be inequitable".

Realities all over the world are, of course, very far from satisfying "that difficult condition". The tax pattern of no country has sprung

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13) *U. Hicks:* op. cit. (n. 10) passim, esp. pp. 158f.

14) For the special case of the effective "Incidence of Local Rates in Great Britain" cp. J. A. Hicks and U. K. Hicks, C.U.P., 1945, pp. 50 ff, who treat Local Rates as a tax on outlay; "The British System of Taxation", HMSO 1956, p. 8 quotes local rates as one of the taxes on income and capital, i.e. direct taxes. For the incidence (mainly on consumption) and the regressive character of State and Local taxation in U.S. cp. Hansen and Perloff, op. cit. (n. 8), pp. 35ff.

15) cp. eg. *E. R. A. Seligman:* Progressive Taxation in Theory and Practice, A.E.A. 1894 pp. 190 ff.

16) *A. Marshall:* Principles of Economics, 8th ed. 1920, p. 802; (Macmillan). cp. *A. C. Pigou:* A Study in Public Finance, 3rd. ed. 1947, pp. 85 f. (Macmillan).

as one consistent whole from the head of a "Philosopher-King". It is usually far from constituting a system, instead it is a sad jumble of remnants from different epochs and concepts, here and there furbished up, in order to seem a whole to the eyes of the unwary onlooker. The tax legislation is mostly so ill conceived, that a term used in one law in a specific sense, may mean something quite different in another. Only a few states have, so far, set about to establishing a unified code, even as far as nomenclature and elementary technicalities are concerned.

Quite unexplored is the field of influence of tax legislation in one country on tax legislation in other countries. We ought to try to distinguish between "blocs" following one pattern; and to follow the spreading of "ideals", "ideas", and "fashions" of taxation over the world.

The tax reality of a single country can only be understood after this jungle has been penetrated. Nor is this all. For besides the laws there exist masses of published and unpublished administrative rules and of internal instructions, and in some countries even numerous unpublished tax agreements concluded with groups of prospective tax payers, that may make havoc of the intentions of the legislature.

Next, a country's tax administration ought to be considered. How close does it keep to the laws and rules made for it? How efficient is it in finding and assessing the taxpayer, and in collecting from him the tax due; and at what cost does it fulfil its tasks? Is it sufficiently unified, or is there duplication in assessing the same person or the same object? Are the assessments made in good time, or in God's good time? Are respites granted according to fixed principles? Does interest due for delayed tax payment exceed or fall short of the decline of purchasing power of the monetary unit in a period of inflation? And so on.

And while, of course, a lot of spade work has been done everywhere by lawyers to analyse and compare the main legal concepts of tax law — though much less in the field of municipal taxation — the administrative rules and instructions, as well as the administrative practice, form wide lacunae in our knowledge.

This is even more so as to the degree of tax law observance on the side of the public. We have only here and there very rough and unverifyable guesses on the volume of tax evasion and fraud. But there are indications to show that this volume depends less on the harshness of tax practice than on national characters. [17a]).

[17a]) cp. e.g. *R. Sedillot:* Why Frenchmen don't pay taxes, N. Y. Time Magazine 6. IX. 1953, pp. 14 & 42.

All of the three last mentioned aspects of tax realities: Legislation, Administration, and Morale, can be considered, though not as static, still as developing more or less pari passu in "normal times". We know from experience that all three do not well stand the stress of major disruptive impacts, such as strong inflationary or deflationary movements within the economy. When income-and wealth-distribution changes rapidly, the legislative and administrative apparatuses are too cumbrous to follow up by corresponding changes without a considerable time-lag. It is quite usual that they do not even suffice to apply their now outmoded rules efficiently. Such difficulties are overcome by and by; but meanwhile great harm is done. Amongst the rest, public tax morale deteriorates rapidly.

It seems that, so far, little specialised study of these phenomena has been made. [17b]). But as the unrest of our time must be expected not to decrease, such study becomes more and more of a desideratum.

The next aspect to be gone into is that of tax jurisdiction, civil and criminal. We have to find out which procedural means are given to the authorities and the tax-payer, respectively, to stand upon their right in tax matters; which use is made of such means; and what is the habitual attitude of the courts passing judgement on such matters.

III

As the practical result of the different aspects enumerated before, we finally come to consider what is known about the National Tax Revenue. Here we have to distinguish carefully between figures of taxes estimated, taxes due, and taxes collected. In order to get material fit for analysis, current receipts should be divided into taxes due in the year of collection, and taxes overdue when collected; and both be distinguished from taxes charged but not yet collected. There may also be prepayments of amounts before the final charge. Only so far as figures on these are not yet available, budget estimates may be taken into account. But then it must be clearly kept in mind that estimates may differ heavily from final results. Receipts should be netted out by deduction of refunds (this item has in U.S.A. for a number of years now amounted to approximately 5% of total taxes). [18]).

We further should not overlook that even cash figures are fre-

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[17b]) G. Mattern: Steuermoral in "Steuer und Wirtschaft", XXXI, pp. 507ff, 1954.

[18]) U.S. Statistical Abstract 1955, Table 410.

quently provisional long before final figures are published. Nor must we forget that the divisions and subdivisions of published figures correspond to legalistic-administrative distinctions, and not directy to social and economic ones.

As the administrative apparatus assesses and collects taxes in applying clauses of tax laws, it assembles statistical material showing the execution of such clauses and sub-clauses. These figures, of which by far not enough is published everywhere, are raw material for social and economic re-grouping; their value depending on the completeness, exactitude, and efficiency of the administrative process. In evaluating it, such distortions as result from tax agreements with groups; and such shortcomings as follow from lack or unreliability of taxpayers' bookkeeping, etc. must be taken into account.

An even bigger difficulty arises in time of strong changes in the purchasing power of the monetary unit. [19]). If absolute figures are to be compared over a period, some index or other must be used for their reduction, the choice depending on the specific aim of the comparison.

It must be well understood that the whole body of materials concerning a single country, as sketched out before, will never be readily available with anything approaching perfection. It therefore remains an important task of the men of Public Finance to urge the preparation and publication of more and better data. But they cannot wait for the fulfilment of their wishes; they have at any given time to make the best of what is at hand.

IV

In the tax field, they must establish certain relations and measure their changes in time series. Even if the absolute figures put into relation are distorted within the time series by changes in the purchasing power of the monetary unit, no reduction by an index seems necessary, as the distortion occurs on both sides of the relation and may be expected without much error to be equal.

a) The first group of these *relations* is *between a global figure* for the national economy on one hand, *and public revenue and its constituent parts* on the other.

Till about twenty years ago, it seemed doubtful to many leading men in the field of Public Finance whether such global figures for national economies could be supplied. This branch of studies has

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[19]) For times of inflation cp. *K. Braeuer:* Steuerbelastungsvergleich, H. St. W., 4th ed, VII, p. 1100 b, 1926.

been greatly developed since [20]), and such figures are now generally used, though not without certain misgivings. They are also, so far, frequently if not commonly, soon superseded by improved versions, so that calculations based on them a few years ago need overhauling.

Anyhow, all these figures are not meant to estimate money, but real goods and services, made addable by some "valuation". The truth of the matter seems to be that, though we cannot call the estimates made accurate, even in the widest meaning of the term, they certainly are much more than conventional lies. Still, it seems likely that, as the method for estimating them has been worked out in and for the economically developed countries, the conventions used in estimating do not equally well apply to less developed ones.

There are some who think that there is a connection between the total of national tax revenue and price inflation. Their champion is Colin Clark, [21]) who since 1945 has at different times endeavoured to show that the danger point in taxes is reached at or around 25% of the National Income. This thesis has since become a theme for international controversy. Lately Visine [22]) has shown for U.S. for the years 1929—1951, and for nine countries for 1949—1951, that there exists no correlation between total taxes and changes in the price level. He thinks that Public Finance influences the price level through expenditure as much as through receipts; and that the impact of advances of the Central Bank to the Treasury is more inflationary than any set-up of taxes whatsoever.

This result, even if it were generally accepted, would not deprive a comparison of revenue figures with a global figure for the national economy of all value.

On one hand, the relation between a conventionally estimated and an accurately measured figure will never give a genuine fraction; on the other hand, as Visine shows, it will give some idea, though a somewhat rough one, of an order of magnitude for judging the importance of fiscal revenue within the framework of global economic performance. [23]). But we should make up our mind which conventional figure, according to its structure, seems the appropriate one to give us that idea.

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[20]) cf. writings, i.a., of G. Colm, S. Kuznets, W. Leontieff; and of our country, A. L. Gaathon (Gruenbaum).

[21]) *C. Clark:* Public Finance and changes in the value of money, E. J., 1954 pp. 371ff; *id.:* The danger point in Taxes, Harper's Magazine, 1950; etc.

[22]) F. Visine: op. cit. (n. 6), pp. 27ff.

[23]) The first to stress this point was *A. Piatier:* Rearmement et Revenue National, le Financement du Rearmement, I.I.F.P. (Lisbon) 1952, Ed. de l'I.I.F.P., p. 135 & passim.

When using the U.N. statistical material [24]) we meet four different concepts, to say:

1) Gross National Product at Market Prices; or after deducting net factor income from payments from abroad:

2) Gross Domestic Products at Market Prices; or, after addition of subsidies and deduction of indirect taxes and depreciation:

3) Net Domestic Product at Factor Cost; or, after addition of net factor income from payment from abroad:

4) Net National Product at Factor Cost = National Income.

This choice is a new and specific expression of an old controversy within the circle of the specialists for global figures, which, with changing fronts, has been going on for nearly twenty years. This controversy is of great importance for our branch of learning, and must therefore be briefly sketched.

In 1937 Colm recommended to exclude from National Product and Income Estimates the Government Cost Services (intermediate services), as they are "reflected in goods and services produced by business". [25]). Kuznets, too, wanted then to exclude business taxes from National Income computations, claiming that these ought to be considered as payments by the economy for services rendered by the State. [26]). Meanwhile Kuznets has accepted Colm's original argument, and recommends direct estimation of the value of cost services; he considers as arbitrary an equalisation between the amounts spent on such services with the receipts from business taxes. [27]).

But meanwhile Colm feels that a classification of Government services in cost services and others, and the direct estimate of the former, might imply wider margins of error than those caused by the remaining, and not being deducted, of business taxes within the global estimates. [28]). Some states (Sweden, Germany and others) prefer this method, while most of them have decided for the former.

The U.S. Commerce Department excludes indirect taxes when compounding the National Income, claiming that they can be shifted; but this comprises in their opinion only excise and turnover taxes,

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[24]) U.N. Dept. of Economic Affairs, Statistics of National Income and Expenditure, Statistical Papers Series H, No. 6, Aug. 1954: No. 7 March 55; No. 8, Sept. '55. U.N. Statistical Yearbook, VI, 1954: Chapter on National Income.

[25]) *G. Colm*: Public Revenue and Public Expenditure in National Income, Studies in Income & Wealth, vol. I, N.B.E.R., 1937, pp. 137ff.

[26]) *S. Kuznets:* On the valuation of Social Income, Economica 1948 pp. 1ff, 116ff; *id:* National Income: A New Version, R.E.S., 1948, pp. 237ff.

[27]) *S. Kuznets:* Government Product and National Income, Income & Wealth, Series I, Bowes & Bowes, 1951, p. 237.

[28]) *G. Colm:* Public Finance in the National Income (Spanish) 1950, reprinted (English): Essays in Public Finance & Fiscal Policy, O.U.P., 1955, pp. 237f.

etc. which find their expression in market prices, and not corporate profit taxes. [29]). Even if this were all right as long as prices are measured in current dollars, there certainly arise difficulties for a meaningful comparison of different years (not to mention countries). Here we have the problem of deflating the National Income by a price index which excludes the effect of indirect taxes. Colm holds that this cannot be done. We shall come back to this point in connection with new solutions proposed. (pp. 308).

The deduction of indirect taxes from the Gross National Product at Market Prices is usually considered necessary for estimating the National Income as Factor Cost. The idea is, that the prices exclusive of these taxes should correspond to the payments made to factors of production, i.e. labour, management, and capital. Colm, in a paper of October 1954 to the New York Conference on the Research in Income and Wealth, holds that this would be meaningful only, if the public sector were seen as nothing but a consumer. He quotes Frisch, as saying: [30]) "One cannot claim Factor Cost to be a relevant Income concept, except by considering Government as a nuisance, a non-productive class".

This discussion of the economists has lately been taken into the field of Public Finance.

Already in an essay of 1954, Visine [31]) pointed out rightly, that the appropriate measuring rod for the magnitude of Public Expenditure is Gross National Product at Market Prices, as it is these which are paid here for part of the National Product. He is now moving on not quite so safe ground, when, in his essay of 1955 [32]) he claims the same for comparing tax revenue. But to the degree in which we begin to doubt the economic meaning of corporation tax as a direct tax, i.e. as one which does not change the price level, the strength of his argument is growing; for to the same degree increases the amount, economically speaking, of indirect taxes, which are usually to be deducted from Gross National Product at Market Prices, in order to arrive at the National Income Figure. In a correspondence, Visine has claimed that his argument is valid for a much longer period than he has shown statistically, i.e. for fifteen years of a sellers' market; now, this is no accurate concept, but we know

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29) U.S. Department of Commerce, National Income Supplement to Survey of Current Business, 1947.

30) Probably from *R. Frisch:* Attempt at Clarification of certain National Economic Concepts, stencil memo, University Institute of Economics, Oslo, 1949; this memo was not available.

31) *F. Visine:* La signification des statistiques de depenses publiques. Nouvelle Revenue de l'Economie Contemporaine, 1954, pp. 9 ff.

32) *F. Visine:* op. cit. (n. 6), pp. 20 f.

well enough what he means. So, there seems to be much truth in his claim that the National Income figure is structurally less comparable to the tax receipts of a country than the Gross National Product at Market Prices.

I do not consider this question as definitely settled; it may well be that it must be studied anew, if and when circumstances change greatly.

Any of these two global figures might be considered in relation to the grand total of public revenue, in order to form a rough idea, though not of the share of the Government sector in the national economy, but of some order of magnitude of its development, which we can follow up through the years. Near to no information is available for Total Receipts on Lower Tiers. This has caused us not to try the computation.

When we compare the global figure to that of the Tax Total, we are shown the magnitude of what is frequently styled the national tax burden, as compared to the economic performance.

But here, two riders seem indicated: the first, to warn of a common misunderstanding of the tax burden concept. This does not mean that the sums voted for Government by the people's representatives are a loss to the nation's economy; the contrary is true. They are granted, because the people is expected to benefit more highly from their use than people would if they were spend these sums, each according to his own arbitrary judgement. With other words, man being more of "zoon politikon" than "homo economicus", benefits are, in the last instance, judged (though not measured) and decided upon under broad socio-economic aspects.

These moneys return (and frequently even before they have been withdrawn through tax payment) into the process of national economic performance as Government expenditure. Their economic effect may even be doubled, when and where a Government or a Central Bank empowers the banking system to grant credits for tax payments outside the scope of the liquidity norm.

Secondly, it must be kept in mind that the global figure does not, by far, add up all actual transactions, but excludes on principle intermediary transactions before products are produced. It thus enhances greatly and arbitrarily the weight of payments made by the Private to the Government Sector, as against the total of all national transactions.

We cannot deal in Public Finance with the tax problem without coming to more or less unambiguous answers to the question of incidence, and, going on from there, to the grouping of taxes according to incidence. In relation to the global figure, this means the following: though keeping in mind that our answers must needs re-

main somewhat elastic, and especially so for companies' taxes, they ought to be rough and ready enough, to be applicable in Social Accounting for such global concepts as most of its specialists consider useful, if not necessary. There is, as it seems, within their ranks a small, but perhaps slowly growing minority of those who would prefer to dispense with the National Income concept altogether, as demanding too dubious operations, and who want to stick to the concept of Gross National Product at Market Prices throughout. However, this is not the way in which most computations are published.

Here, comparison of indirect taxes to a global figure is of special interest, as changes in that relation may be, to some degree, immediately responsible for changes in the price level. [33]). Much depends, of course, on the character of the global figure used, as shown above. Only further analysis can show, to which extent such changes result from global changes in the economy, and from changes in the tax burden imposed, or whether changes in the purchasing power of the monetary unit are involved, etc.

The normally used concept of direct taxes comprises as its main item (in most countries) the personal income tax; next, the companies or corporation (profit) tax or its equivalents, and certain smaller items, lumped together as partial income taxes, or as general or partial taxes on wealth. The amounts collected under these additional titles are mostly too minor to demand individual comparisons with the global figure. Such should however be made, where sufficiently detailed figures are available for personal and companies income tax, respectively.

The adding together of these two, as commonly practised, stems from a legalistic approach, which either claims that companies profits belong to the shareholders, even if undistributed; and therefore form only a special case of personal income; or which claims, even more legalistically, that companies are "juristische Personen", and therefore, in this respect, to be lumped together with the other "persons". This approach is certainly somewhat unrealistic, and therefore unsatisfactory. Still, it seems to be usual enough to demand a comparison of the total to the global figure.

b) When *comparing* the *fiscal figures between themselves*, we get more than mere orders of magnitude; we get real fractions. The part of taxes within the public revenue may teach us, among the rest, e contrario, about the size of the State's own direct income from public domain, public enterprises, participations, etc.; if we knew

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33) This, however, is deemed irrelevant for the global concepts by *S. Kuznets:* op. cit. (n. 27), passim.

their capital values, we might here find the clue for judging their rentability.

The parts of direct and indirect taxes within the total tax revenue ought to be of supreme importance, if these concepts are well enough defined to show which taxes are more or less shifted to the consumer, and therefore apt to make a tax set-up more regressive.

Though we may not be in a position to measure the degree of regressivity of a tax set-up with all desirable accuracy, even a somewhat rougher estimate is well worth making. For it is the only approximation to the concepts of tax justice — meaning social tax justice; or tax equality — meaning marginal equality of the tax burden; which we may be able to offer. There is no real difference of opinion to-day, that regressivity in a tax set-up is an evil, and that progressivity were desirable, even if the degree of desirable progressivity may remain controversial. There is, on the other hand, no serious doubt, that no known tax set-up has as a whole, so far, been progressive. Even with quite strong progressive elements in a tax system, there would remain a long way to go, before a point were reached which some might style economic democracy, while others would speak of it as sheer equalitarianism.

As we have seen before, the part played by companies profits taxes and the like is, to say the least, greatly controversial. To keep on the safe side in judging the point of regressivity, we propose for the time being, as far as possible to make two different computations for the inclusion of this tax on either side.

We are, of course, aware that such account will be incomplete, as not comprising tax on profits paid by single entrepreneurs and partnerships, the shiftability of which does not even seem to have been seriously considered. [34]).

Here we have before us one of the typical shortcomings caused by onesided macroeconomic concepts, derived from the realities of the most highly developed countries. There, the impact of companies (especially in U.S. for Corporation Income and Profit Taxes) is so great as to eclipse that of single entrepreneurs and partnerships, and to cause a blind spot in the observer's eyes; though in less developed countries the proportional impact of the two groups is quite different. Though certainly more published material on other countries may be found, we give hereunder a few roughly comparable figures for U.S. and Israel:

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[34]) Perhaps *Kuznets'* remarks, op. cit. (n. 27), pp. 222, 224, might contain a hint in this direction.

		Percentage of revenue from income & profit taxes		
	No. of Returns from Corporations (Companies) as % of total returns	Corporations	Individual	
			Whithheld by Employers [1]	Others [1]
U.S. 1953 . .	1.3 [a]	ca. 40 % [c]	ca. 40 % [c]	ca. 20 % [c]
Israel 1955 .	2.2 [b]	17.8 % [d]	42.1 % [d 2]	40.1 % [d] [2]

Sources:

[a] U.S. Statistical Abstract 1955, Table 427.
[b] Israel Government Yearbook 1955, (Hebrew), p. 49.
[c] U.S. Stat. Abstr. 1955, Table 415.
[d] Statistical Survey of Tax Revenue in Israel 1954/55 (Treasury, Hebrew) p. 11.

Remarks:

[1] Definitions as in Table 415 (see [c]) above).
[2] Definitions as in source [d]): „deducted at source" and „Self-Employed", respectively.

It seems doubtful, whether other deviations from normal incidence, such as those mentioned above (p. 295) would weigh heavily enough in the balance to justify special accounting.

The fraction of corporations profits tax within direct taxation seems to deserve our attention, as the corporate form, especially that of the private or closed company, is certainly frequently misused; on the other hand, the growth of number and weight of genuine corporations is, to say the least, an important index for economic and social modernisation.

This is the place to mention a general lack of tax information. Very little is known, at least in separate figures, about the taxation of co-operatives. If more were known, the analysis of those figures would be instructive; and in Israel more than that.

U.N. Statistical Papers, Series H, brings in Table 4 (Distribution of the National Income) a series of figures for many countries and years, of Direct Taxes on Corporations (referring to those "taxes which are levied at regular intervals on the profits, capital, or net worth of corporations and co-operatives"). Selecting from this table the figures for those states we study, and adding Israel figures (from source 5) for Income (Companies) Tax, we have expressed the percentage they form of Total Taxes on All Tiers, and received the following table which may serve to elucidate the role played by these modern forms of enterprise.

The American figures are what we might have expected; the high French figures remind us of the comparatively early date when the "societé anonyme" began to permeate the French economy.

DIRECT TAXES ON CORPORATIONS AS % OF TOTAL TAXES ON ALL TIERS

	Key to Sources*)	48/49	49/50	50/51	51/52	52/53	53/54	54/55
U.S.	A: 18	20.4	35.0	36.0	25.3	25.2		
U.S.	18	23.5	21.6	23.3	27.9	26.4		
France	A: C7/1		23.0	20.2		20.8		
U.K.	A: 17/C28	13.2	16.2	17.8	15.9	20.1		
Japan	A: 11		12.1	14.4		20.1		
Netherlands	A: C30			14.5	16.0	22.1	20.6	18.6
Australia	A: B		14.6	12.4	14.8	16.4	20.3	
Israel	5 : 4			9.7	5.2	2.4	17.5	13.9
(without co-operatives)							13.0 7.8	 6.6

*) For Key to Sources cp. below, p. 314.

As will have been seen from the foregoing, there is only a limited number of meaningful orders of magnitude and fractional relations of a more general nature in the tax field, that can be established in a not wholly unsatisfactory way from the figures published in each of most countries.

c) Of course, the material lends itself to *other arithmetical operations* which have sometimes been tried; such as dividing the tax burden, or income tax revenue, or the like by the number of inhabitants, or taxpayers, or gainfully employed persons. But the results of such divisions do not convey really important information, just because they show nothing about the composition of the population as to income brackets and the tax burden per bracket, or even less about the situation per head of the family provided for by a taxpayer or a gainfully employed person within such brackets. For a very few countries, figures arranged in such brackets are available; these countries seem, at the same time, to have exceptionally high standards of morale of the taxpayer, so that these figures seem really instructive; nothing of the kind could be claimed for many other countries, even though figures were published.

Israel, for instance, has tried to publish such figures for the year of assessment 1949/50; but it is generally agreed, that the result

could not help but be worse than useless because of the quality of the statistical material then available; so, the experiment had to be given up.

Even worse conceived is the idea of establishing an average gross income, deducting from it an average tax burden and an imaginary subsistence minimum, treating the remainder as average freely disposable income. All the elements of such accounting are highly unrealistic. If the average income is established through dividing the "National Income" by some denominator or other, the result is no more than an order of magnitude, useful for comparing changes by years, and totally unrelated to sums of real money which are disposable for spending by a person, be it before or after taxes are paid. No more sense can be made of some figure called "subsistence minimum", as there is no generally acknowledged standard measuring rod for such. Many standards are being proposed by different kinds of authorities, as Ministries of Welfare, Health, Agriculture, Labour, and Police (Prisons Department), and the differences amongst standards proposed run into hundreds of percent. These are the main reasons, why no such accounts are generally accepted in the study of Public Finance. [35]).

V

International tax comparisons should, on principle, be made for all those sides of national tax realities as sketched out before, as far as sufficient material is available. Though much has been done for the elucidation of the aspects treated above (Part II), much more remains to be done.

The tax laws for many countries on the Central Government level have been collected for a prolonged period at the "International Bureau of Fiscal Documentation" in Amsterdam. But there we shall find neither administrative rules nor instructions, nor secondary state laws and municipal bye-laws. The same goes for the virtues and shortcomings of OEEC's "Comparison of Taxation Systems in Fifteen OEEC countries" (June, 54). The "International Co-operative Alliance" has brought together a most remarkable library on the co-operative movement; but the tax legislation applying to co-operatives all over the world is not its strongest point. Some additional material is to be found with the "Howard Plunkett Foundation" for agricultural co-operatives in London. To my knowledge, there exists no library where c o m p a r a t i v e tax administration, or juris-

[35]) These accountings were rightly and seriously criticised by *A. Pirelli* in his address to the International Chamber of Commerce in Brussels in 1925. In a more general context *J. L. Nicholson*, in "National Income at Factor Cost or Market Prices?" E. J. LXV, 1955, p. 224, holds that "it is scarcely possible to make valid welfare comparisons between different states."

diction, or judicature (precedences) could be studied. Important monographic work on taxes in many countries is currently published by the "International Fiscal Association", Amsterdam, more especially in their "Cahiers de Droit Fiscal International"; by the "Institut International de Finances Publiques" in their "Travaux"; and by the "International Bureau of Fiscal Documentation" in their quarterly "Bulletin". Of great value is this journal; the quarterly "Finanzarchiv" (Tuebingen); and the "Schnellberichte zur Finanzwirtschaft des Auslandes" (Bonn).

Of U.N. publications we may mention the "Public Finance Information Papers" on single Countries (St/ECA/Series A), and "Taxes and Fiscal Policy in Underdeveloped Countries" (UNO 1955 II H1) and therein on pp. 111 ff a "List of Reports in the Field of Public Finance". Interesting studies on taxpayer psychology have lately been published by the "Finanzwissenschaftliches Forschungsinstitut" der Universitaet Koeln.

Of the difficulties to be encountered in international tax comparison a most important one must be mentioned: the fluctuation of the purchasing power of each national currency in the course of time, and, additionally, of currencies as compared with each other; and the factual contents of cost-of-living indices, of baskets, of "ways of life" in the different countries. In 1954, Gilbert and Kravis have for OEEC published "An International Comparison of National Products and the Purchasing Power of Currencies" for U.S., France, Germany, and Italy, and therein shown how very different results are reached by modifications of the binary comparisons between states. Competent specialists are of opinion that the Gilbert-Kravis method cannot lead to useful results, even within the world of Western Civilisation. At a Congress in New York in autumn 1954, Brady and Hurwitz proposed other indices for comparisons between countries. These are as yet untried.

This is, amongst the rest, why we shall limit ourselves to comparing relations only.

VI

We add to our study four appendices, based on the statistical material available to us, for eighteen countries.

Appendix A, dealing with Total Taxes, puts them into relation to the global figures of Social Accounting; then, dividing up the Total Taxes into such for Central Government and different Lower Tiers, expresses the parts as fractions of Total Taxes on All Tiers.

The comparison with global figures results in a hierarchy of the countries studied, not greatly changed with the change of the global figure selected; but greatly different when lower tiers are inclu-

ded or excluded. This leads us to protest that Visine's argumentation in favour of a comparison with Gross National Product at Market Prices, though excellently conceived in itself, does not appreciably increase our insight; but it may have a psychological effect, as it blunts the odious edge of comparatively high percentages.

The tax shares of the different levels give an important insight into the scopes of tax-levying autonomy. This insight is socio-political as well as socio-economic.

As far as the higher levels are concerned, a strong concentration at the centre makes for political strength in international affairs; and, to a lesser degree, for legislative and administrative strength in economic matters. A strong concentration on the second level of composite states, while preserving the distinct character of the parts, may weaken the whole, and, at its worst, prove a disruptive force. A strong local taxing autonomy expresses as much as it favours grass-root democracy. Such strength of the local government is, under the secular aspect, a more or less slowly dissolving remnant of the past; for the principalities and municipal powers, though older than the modern state, are in the process of being eclipsed.

Appendix B deals with Indirect Taxes (conceived in the conventional way) as to their importance in the National Economy and the Public Finance of countries.

Again we get a hierarchy; this time a somewhat surprising one, and which is strongly changed by inclusion of lower tiers. We propose that the material collected, especially in the second table of this Appendix (Table 5) might serve for a comparison of degrees of regressive taxation in different countries.

Expressing indirect taxation as a percentage of total taxation on all levels, we find that Spitaler's [36]) statement on tax realities in modern economies covers many, but not all, cases. He claims that the proportions between direct and indirect taxes in modern economies move around a relation of 60 : 40. As against this, administrative traditions and resentment, as in France; and socio-economic concepts, as in Denmark, Sweden, New Zealand, seem to be further effective factors, leading to different relations.

Appendix C explores tentatively a wider concept of "cost-increasing" taxes, including with the indirect taxes such as are levied on "the profits, capital, or net worth of corporations and co-operatives" (cp. above, p. 305). This appendix deals with the most comprehensive figure, so far possibly justified by serious ar-

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[36]) A. Spitaler: Die Gegenseitige Annäherung der Steuersysteme in den Kulturstaaten, in Probleme des Finanz- und Steuerrechts, Schmidt K. G., Köln, 1954, pp. 216f.

gument, to show the order of magnitude of sums levied as taxes which are apt to influence the price level, and, according to their size, compared to that of individual direct taxes, may counterweight or even outweigh, the influence of Progressive Income Taxation.

The expression of these "cost-increasing" taxes as a percentage of total taxes on all tiers is a rather rough attempt to measure the regressivity of National Tax Systems as whole; it results in a most unfamiliar picture. Remarkable is the collossal share of such taxes in France, quite out of proportion to shares in the other states studied. It is impressive to note how greatly regressive the tax set-up of Japan, Israel, and U.K. come to look. Even for the rest, no state is found among those studied that shows less than 50% regressive taxes in their total taxes: the average lying by 60 — 80%.

This would show how close to realities old Proudhon's teaching of the inherent regressivity of all tax systems is. Maybe that we are nowadays better served by parafiscal means (Social Transfer Payments) and agreed wages policies than by improved taxes for such income distribution and redistribution Adolf Wagner aimed at.

Appendix D is given to serve as an example for the preliminary work behind Appendices A, B, and C, as done for each single country studied.

LIST OF ABBREVIATIONS USED IN FOOTNOTES:

A.E.A.	= American Economic Association.
C.U.P.	= Cambridge University Press.
E.J.	= Economic Journal.
F.A., N.F.	= Finanzarchiv, Neue Folge.
H.St.W.	= Handwörterbuch der Staatswissenschaften.
I.I.F.P.	= Institut International de Finances Publiques.
N.B.E.R.	= National Bureau of Economic Research.
N.T.J.	= National Tax Journal.
O.U.P.	= Oxford University Press.
P.F.	= Public Finance.
R.E.S.	= Review of Economic Studies.

GENERAL NOTE ON STATISTICS USED

The global figures are, with the exception of those for Israel, taken from the U.N. "Statistics of National Income and Expenditure". The Gross National Product at Market Prices, where not given directly, could be computed for twelve countries through addition (though, in seven of them, of a negative figure) of the Net Factor Income Payments from Abroad to the Gross Domestic Product at Market Prices. Where it has not been ascertainable we have: for Denmark — Gross Domestic Product at Market Prices; for India — Net National Product at Market Prices; for Argentina — Gross Domestic Product at Factor Cost; for Pakistan — none. In Sweden, and in U.K. for 1953 and 1954, we have Gross National Product at Factor Cost instead of National Income.

In relating these global figures to tax figures one of the difficulties was the divergence between the Social Accounting Period and the Financial Year. Only in eight of the countries is this period identical; in five: Denmark, Germany, Israel, Japan, and U.K. it overlaps to the greater part: the Social Accounts tallying with the calendar year, the Financial Year beginning on April 1st. But in Italy, Norway, Sweden, and the U.S. the Financial Year begins on July 1st; and an arbitrary choice had to be made as to which Social Accounting Period (calendar year) should be compared to the Fiscal Year. The year covering the second half of the Financial Year was chosen, arguing (in a perhaps random way from Israel experience) that actual p a y m e n t s of taxes are heavier towards the end of the Financial Year.

Tax figures for Central Government have mostly been taken from the U.N. Statistical Yearbook 1954. Their division into "Direct" and "Indirect" taxes had to be accepted; though it seems probable, from cases where comparison was possible, that it is rather formalistic, and not always the one we would have used, or which is used in Social Accounting. For U.S. two divergent sets of figures are contained in sources 18 and 19, both published in the Federal Government's "Statistical Abstract 1955". They differ because of the inclusion or exclusion of Employment Tax, respectively; we have employed both sets of figures separately.

We have already touched upon the widely different methods of recording Social Security Contributions (pp. 291f). A further item which may form a component of the Tax Revenue is the results of Public Enterprise.The most usual form, though, if they appear in the budgetary accounts at all, is to list deficits as expenditure (France for 1953 gives a combined figure for deficits + subsidies), and surplus as "other receipts". Argentine and Brazil have

gross figures on both sides of the budget; (Denmark counters the deficit on the expenditure side with "Depreciation Allowance of Public Enterprises" in "Receipts"). Thus they remain outside the scope of our calculations. However, some countries (e.g. Italy, Japan) distinguish between "Receipts from Monopolies", seen as a kind of "Indirect Taxes", and other surplus of Public Enterprise included in "Other Receipts".

The greatest difficulties have been experienced in gathering data on Lower Tiers, or figures comprising all levels. The results, therefore, are somewhat haphazard. It was frequently necessary to combine figures from several sources, without however being able to find out their exact meaning; sometimes the sum of parts does not correspond to the total; or, if it does, one part was found by inference only. Further, for "Indirect Taxes" and "Corporation Taxes" on all tiers extensive use has been made of figures taken from Social Accounts. There is thus the added difficulty of non-conforming periods, already mentioned in relation to the global figures, but here emphasized when, e.g., Indirect Taxes taken from Social Accounts are expressed as a real fraction of Total Taxes from Financial Accounts. (We might here refer in passing to the confusing usage of writing e.g. "1954", thereby meaning either the calendar year; or (as in "Statistics of National Income and Expenditure") the period beginning sometime during 1954; or (as in the "Statistical Yearbook") the period ending in 1954, even where numbers of years are for a single country only, and not in comparative lists for several countries and periods.) In our own tables, "54/55" means either the Calendar Year 1954, or the Financial Year beginning in 1954.

In contrast to the definition used in "British System of Taxation", and that applied for Israel in "Hashilton Hamekomi" (cp. p. 314, Key to Sources), we have for these countries regarded Local Rates (on the u s e of immovables) as Indirect Taxes. This, too, falls, of course, far short of a satisfactory solution, as no difference in the economic effect of such rates from that of taxes levied on immovable p r o p e r t y is self-evident. For other countries, the tax structures of which were less familiar to us, we had to rely on purely formal distinctions.

For U.S. we came upon a considerable difference between the figures taken from Social Accounts and those we found in the "Governmental Tax Revenue" accounts. This difference is only to a small part explained by the exclusion of "Employment Tax" from the latter. The greater rest of the difference may be caused by different treatment of taxation on Lower Tiers, levied on immovables.

We have tried, as far as possible, to give net figures in cases where tax shares are transferred; but have not always succeeded in doing so. We have thus, e.g. for the Central Government of the Netherlands, figures of the Gross and the Net Total Tax Revenue, but on this level no net figures for Direct or Indirect Taxes. For India and Pakistan the U.N. Yearbook figures are not sufficiently specified to lead to unambiguous results on Indirect Taxes for Central Government and States (all levels known) taken together.

Frequently, we have given several sets of figures for one year and country, wherever possible stating the conceptual differences, but often being at a loss for an explanation.

The sources used do not exclude the possibility that in one country or another taxes are received on extraordinary, capital, or development budgets, without having passed through the regular budget. Insofar too, the information given by the sources may be incomplete.

As a rule, absolute figures used for the last year available are Estimates, for the last but one Provisional Results.

KEY TO SOURCES

Sources that have been currently used are marked with capitals; other sources with successive numbers. (e.g. A : 1 means that figures from source A have been related to such of source 1).

I und II refer to the relations mentioned at the head of a comparative table.

E = Estimate; PR = Provisional Result.

A. *Statistics of National Income and Expenditure. Statistical Papers Series H, United Nations.*

This is the source throughout for Gross National Product figures (computed from Table 6); for National Income (from Table 1); for most of the figures for Indirect Taxes for all Tiers (from Table 6); and for direct Taxes on Corporations (from Table 4). Wherever possible, the latest number (No. 8, September 1955) has been used.

B. *Statistical Yearbook 1954, United Nations.*

Most figures for Budget Receipts of the Central Governments and for some State Governments are taken from this source.

C. *Schnellberichte zur Finanzwirtschaft des Auslandes, Bundesministerium der Finanzen, Bonn* (latest issue: No. 30, 15.2.1956).

This series has supplied considerable material for figures relating to Lower Tiers. The added numeral refers to the respective issue of the series.

0. Denmark: S. Hiort-Lorenzen, The Struggle against Tax Evasion in Denmark, in Bulletin for International Fiscal Documentation, vol. VII, No. 1, p. 8: for 1951/52; communicated by Dr. Lemcke, Bonn: for 1952/53.

1. France: for 1954 and 1955 — The Economist No. 5865, 14.1.1956; communicated by Dr. Lemcke, Bonn: for 1952.

2. Germany: Terhalle, Finanz- und Steuersystem der Bundesrepublik Deutschland, in "Handbuch der Finanzwissenschaft" vol. III (to be published).

3. Indonesia: communicated by Dr. K. H. Dronkers, Amsterdam.

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Dr. D. Creamer and Dr. H. Lubell "Estimates of National Income and Expenditure", (revised): for 1952; 1953.

Bank of Israel (Dr. A. L. Gaathon): for 1954; 1955.

5. Israel: "Development of Taxes" (July 54) and "Statistical Survey of Tax Revenue 1954/55" (May 55), Ministry of Finance (Hebrew): for 1949/50 — 1953/54.

6. Israel: "Government Yearbook" 1954 and 1955: for 1954/55; Reports of the Accountant General (Hebrew): for 1955/56.

7. Israel: "Hashilton Hamekomi" (Hebrew), August 51: for 1950/51, December 52: for 1951/52, February/March 54: for 1952/53.

8. Israel: 5th and 6th Report of the State Comptroller: for 1953/54 and 1954/55.

9. Italy: communicated by Dr. Lemcke, Bonn: for 1949/50.

10. Italy: Percentages given by Prof. Spitaler, Koeln, in "Probleme des Finanz- und Steuerrechts", 1954, p. 217.

11. Japan: H. Ito, Direct Taxes in Japan and the Shoup Report-"Public Finance", vol. VIII, No. 4, p. 359/360.

12. Netherlands: Central Economic Plan 1954, Tinbergen & Schouten, CPB Overdrukken No. 32, p. 10, Den Haag, 1954.

13. Norway: Communicated by Dr. Lemcke, Bonn: for 1952/53.

14. Norway: E. Siegert, Zölle, in Handbuch der Finanzwissenschaft,[2] vol. II. p. 729. Tuebingen 1956 (1949/50 — 1951/52).

15. Sweden: Communicated by Dr. Lemcke, Bonn.

16. United Kingdom: The British System of Taxation. HSMO 1956, pp. 88 ff: for 1954/55.

17. United Kingdom: National Income and Expenditure 1946 — 1949, HMSO Cmd 7933, Table 18: for 1948/49; Economic Survey 1950, HSMO Cmd 7915, Table 12: for 1950.

18. United States: Statistical Abstract of the United States 1955, Table 457 (Governmental Tax Revenue).

19. United States: Statistical Abstract of the United States 1955, Table 410 (Budget Receipts).

APPENDIX A
Table 1

TOTAL TAXES OF CENTRAL GOVERNMENT AS % OF GROSS NATIONAL PRODUCT AT MARKET PRICES

COMPARED WITH

TOTAL TAXES OF CENTRAL GOVERNMENT AS % OF NATIONAL INCOME

(I) (II)

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55	55/56
Argentina	B : A	Gross *Dom.* Prod. *Fact.* Cost	I	—	6.3	6.8	8.6	7.7	7.4	6.6	—
	B : A		II	—	7.0	7.0	9.7	8.6	8.3	7.5	—
Australia	B : A		I	—	19.0	20.2	24.5	21.4	20.4	—	—
	B : A		II	—	22.6	23.5	28.9	25.2	24.4	—	—
Brazil	B : A		I	—	7.6	7.0	8.3	7.7	—	—	—
	B : A		II	—	9.2	8.5	10.1	9.3	9.6	8.8	—
Denmark	B : A	Gross *Dom.* Prod./M. P.	I	—	13.4	12.2	12.8	13.4	13.7	13.5	—
	C7/0 : A	„ „ „	I	—	12.0	9.7	10.4	12.5	—	—	—
	B : A		II	—	16.7	15.2	16.0	16.7	17.4	17.2	—
	C7/0 : A		II	—	15.0	12.1	13.1	15.7	—	—	—
France	B : A		I	14.2	16.6	18.6	18.2	17.6	19.6	17.1	—
	B : A		II	17.6	21.1	24.4	23.8	23.7	26.4	22.9	—
Germany	B : A		I	—	—	11.0	14.2	15.3	15.2	15.2	—
	B : A		II	—	—	13.8	17.9	19.6	19.6	19.6	—
India	B : A	*Net* Nat. Prod. Market Pr.	I	—	3.8	4.1	4.9	4.3	—	—	—
	B : A		II	—	4.0	4.3	5.1	4.5	—	—	—

	6 : 4		II	—	—	—	—	—	—	19.4	22.5
Italy	B : A		I	12.4	11.8	11.9	13.0	13.3	13.9	—	—
	B : A		II	14.8	14.6	15.1	16.5	16.8	17.6	—	—
Japan	B : A		I	16.2	19.7	14.1	13.5	13.5	12.6	12.3	—
	11 : A		I	—	19.7	14.0	—	13.2	12.0	—	—
	B : A		II	21.5	23.4	17.1	15.8	16.1	15.1	14.7	—
	11 : A		II	—	23.2	17.0	—	15.7	14.4	—	—
Netherlands . . .	B : A	Taxes *gross*	I	—	22.9	22.6	24.7	24.9	23.7	22.4	—
	B : A	„ „	II	—	27.2	28.0	31.4	31.5	29.6	28.0	—
	B : A	Taxes *net*	I	—	21.2	20.9	22.1	22.3	20.5	19.4	—
	B : A	„ „	II	—	26.2	25.7	28.1	28.2	25.6	24.1	—
New Zealand . . .	B : A		I	26.7	24.5	22.7	27.8	26.5	24.9	—	—
	B : A		II	30.9	28.0	25.8	32.2	30.5	28.1	—	—
Norway	B : A		I	17.1	15.4	14.0	15.3	17.1	15.5	—	—
	B : A		II	21.6	19.8	18.2	20.4	22.9	20.8	—	—
Pakistan	B : A		II	—	4.8	7.3	7.8	6.8	—	—	—
Sweden	B : A		I	16.3	14.7	14.6	17.6	17.6	17.5	—	—
	B : A	*Gross* Nat. Prod. Factor Cost	II	17.7	15.8	15.7	18.8	19.1	18.9	—	—
United Kingdom . .	B : A		I	31.3	29.6	28.4	28.8	27.3	25.0	24.1	—
	B : A5		II	35.6	35.8	34.6	35.2	33.2	—	—	—
	B : A8	*Gross* Nat. Prod. Factor Cost	II	—	—	—	—	—	28.4	27.3	—
United States . . .	18 : A		I	13.8	12.2	13.9	17.1	17.2	—	—	—
	18 : A	incl. Employm. Tax	I	15.8	14.0	15.8	19.1	19.4	21.9	—	—
	19 : A		II	16.5	14.6	16.6	20.5	20.6	—	—	—
	19 : A	incl. Employm. Tax	II	18.8	16.6	18.7	22.7	23.2	26.1	—	—

APPENDIX A
Table 2

TOTAL TAXES OF CENTRAL GOVERNMENT AND LOWER TIERS AS % OF GROSS NATIONAL PRODUCT AT MARKET PRICES (I)

COMPARED WITH

TOTAL TAXES OF CENTRAL GOVERNMENT AND LOWER TIERS AS % OF NATIONAL INCOME (II)

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55	55/56
Australia	B : A		I	—	21.7	221.	27.1	24.4	23.4	—	—
	B : A		II	—	25.7	26.3	32.0	28.7	28.0	—	—
Brazil	B : A	Fed. Govt. and States	I	—	12.5	12.0	14.2	13.2	—	—	—
	B : A	" " " "	II	—	15.1	14.5	17.5	15.9	—	—	—
Denmark	C7/0 : A	Gross *Dom.* Prod./M. P.	I	—	19.2	15.7	14.9	18.9	—	—	—
	C7/0 : A		II	—	23.7	19.4	18.6	23.5	—	—	—
France	C7 : A		I	—	18.9	21.3	—	22.4	—	—	—
	1 : A		I	—	—	—	—	—	—	22.6	—
	1 : A	incl. Soc. Sec. Contr.	I	—	—	—	—	—	—	31.7	—
	C7 : A		II	—	24.1	28.0	—	31.0	—	—	—
	1 : A		II	—	—	—	—	—	—	30.2	—
	1 : A	incl. Soc. Sec. Contr.	II	—	—	—	—	—	—	42.3	—
Germany	B : A	Bund and Länder	I	—	21.4	20.3	21.8	22.7	22.8	—	—
	B : A	" " "	II	—	27.0	26.1	27.6	29.1	29.6	—	—
	2 : A	All Tiers	I	—	24.5	23.2	25.0	26.1	26.4	26.1	—
	2 : A	" "	II	—	30.8	29.2	31.6	33.6	34.3	33.8	—
India	B : A	*Net* Nat. Prod./M. P.	I	—	—	—	7.1	6.6	—	—	—
	B : A		II	—	—	—	7.5	7.0	6.3	—	—

	5+8 : 4		II	—	—	—	—	—	18.4	21.9	—
Italy	9 : A		I	—	16.3	—	—	—	—	—	—
	9 : A		II	—	19.5	—	—	—	—	—	—
Japan	11 : A		I	—	23.1	19.1	—	17.9	16.3	—	—
	11 : A		II	—	28.4	22.7	—	21.4	19.5	—	—
Netherlands . . .	C30 : A		I	—	—	27.0	25.6	24.8	24.2	23.8	—
	12 : A		I	—	—	—	24.8	23.6	23.1	—	—
	C30 : A		II	—	—	33.5	32.6	31.4	30.0	29.6	—
	12 : A		II	—	—	—	31.6	30.0	28.8	—	—
Norway	14 : A		I	—	21.5	19.3	20.9	—	—	—	—
	13 : A		I	—	—	—	—	21.7	—	—	—
	14 : A		II	—	27.5	25.1	27.7	—	—	—	—
	13 : A		II	—	—	—	—	29.1	—	—	—
Pakistan	B : A	Centr. Govt. + States	II	—	6.4	8.8	9.5	8.9	—	—	—
Sweden	B+15 : A		I	—	—	—	19.9	—	21.9	—	—
	B+15 : A	Gross Nat. Prod. / Fact. C.	II	—	—	—	21.4	—	23.7	—	—
United Kingdom . .	17 : A		I	35.7	35.7	34.0	—	—	—	—	—
	B+16 : A		I	—	—	—	31.0	—	—	—	—
	C28 : A		I	—	—	—	—	29.3	27.7	27.2	—
	17 : A5		II	42.9	43.2	41.4	—	—	—	—	—
	B+16 : A5		II	—	—	—	37.9	—	—	—	—
	C28 : A5		II	—	—	—	—	35.5	—	—	—
	C28 : A8	Gross Nat. Prod. / Fact. C.	II	—	—	—	—	—	31.5	30.8	—
United States . . .	18 : A		I	19.6	17.9	19.4	22.8	22.9	—	—	—
	18 : A		II	23.3	21.2	22.9	27.2	27.4	—	—	—

APPENDIX A
Table 3

TOTAL TAXES OF CENTRAL GOVERNMENT AS % OF TOTAL TAXES ON ALL TIERS (I)

COMPARED WITH

TOTAL TAXES OF LOWER TIERS AS % OF TOTAL TAXES ON ALL TIERS (II)

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55	55/56
Australia	B		I	—	87.7	88.1	89.3	86.2	85.3	—	—
	B		II	—	12.3	11.9	10.7	13.8	14.7	—	—
Brazil	B	Fed. Govt. } Taxes	I	—	60.7	58.4	58.9	58.5	—	—	—
	B	States } Taxes	II	—	39.3	41.6	41.1	41.5	—	—	—
	B	Fed. Govt.+States		—	100.0	100.0	100.0	100.0	—	—	—
	C29	Fed. Govt.+States } Receipts	I	—	—	48.0	49.8	49.7	49.4	51.9	52.9
	C29	Loc. Auth. } Receipts	II	—	—	52.0	50.2	50.3	50.6	48.1	47.1
	C29	Fed. Govt.+States } Receipts	I	—	—	88.2	91.5	90.4	90.0	89.8	89.9
	C29	Loc Auth. } Receipts	II	—	—	11.8	8.5	9.6	10.0	10.2	10.1
Denmark	C7		I	—	64.7	62.7	—	—	—	—	—
	C7		II	—	35.3	37.3	—	—	—	—	—
	0		I	—	—	—	70.4	67.6	—	—	—
	0		II	—	—	—	29.6	32.4	—	—	—
France	C7		I	—	87.4	90.0	—	—	—	—	—
	C7		II	—	12.6	10.0	—	—	—	—	—
	1		I	—	—	—	—	78.6	—	75.8	75.9
	1		II	—	—	—	—	21.4	—	24.2	24.1
Germany	B	Bund	I	—	59.4	65.1	62.4	58.3	57.4	—	—
	B	Länder	II	—	40.6	34.9	37.6	41.7	42.6	—	—
	B	Bund+Länder		—	100.0	100.0	100.0	100.0	100.0	—	—
	B : 2	Bund	I	—	—	47.2	53.6	58.7	57.5	58.1	—
	B+2 · 2	Länder+Loc. Auth.	II	—	—	52.8	46.4	41.3	42.5	41.9	—

Indonesia	3		I	—	—	—	98.1	96.7	—	—	—
	3		II	—	—	—	1.9	3.3	—	—	—
Israel	5		I	—	—	85.5	87.1	84.2	85.6	88.4	—
	5+7		II	—	—	14.5	12.9	15.8	—	—	—
	5+8		II	—	—	—	—	—	14.4	11.6	—
Italy	9		I	75.6	—	—	—	—	—	—	—
	9		II	24.4	—	—	—	—	—	—	—
Japan	11		I	—	81.7	73.8	—	73.6	73.9	—	—
	11		II	—	18.3	26.2	—	26.4	26.1	—	—
Netherlands . . .	B : C30		I	—	—	76.6	86.2	89.9	84.9	81.5	79.0
	C30—B		II	—	—	23.4	13.8	10.1	15.1	18.2	21.0
Norway	B		I	—	71.9	72.7	73.4	78.8	—	—	—
	14		II	—	28.1	27.3	26.2	—	—	—	—
	13		II	—	—	—	—	21.2	—	—	—
Pakistan	B	Centr. Govt.	I	—	75.2	82.5	82.1	76.5	71.3	72.0	—
	B	States	II	—	24.8	17.5	17.9	23.5	28.7	28.0	—
Sweden	B		I	—	—	73.3	—	80.4	—	—	—
	B+15		II	—	—	26.7	—	19.6	—	—	—
United Kingdom . .	17		I	87.7	83.0	83.4	—	—	—	—	—
	17		II	12.3	17.0	16.6	—	—	—	—	—
	16		I	—	—	—	92.9	93.1	90.2	93.8	—
	16 : C28		II	—	—	—	7.1	6.9	9.8	6.2	—
United States . . .	18	Fed. Govt.	I	82.8	81.6	83.7	85.8	85.6	—	—	—
	18	States	II	17.2	18.4	16.3	14.2	14.4	—	—	—
	18	Fed. Govt.+States		100.0	100.0	100.0	100.0	100.0	—	—	—
	18	Fed. Govt.	I	70.6	68.8	72.4	75.6	75.1	—	—	—
	18	States+Loc. Auth.	II	29.4	31.2	27.6	24.4	24.9	—	—	—
	18	Fed. Govt.+States	I	85.3	84.4	86.4	88.1	87.8	—	—	—
	18	Loc. authorities	II	14.7	15.6	13.6	11.9	12.2	—	—	—

NOTE TO APPENDIX A

Table 1 gives: (I) the comparison for eighteen countries over years of their magnitude relation (expressed as percentages) between Total Taxes of Central Government and Gross National Product at Market Prices; and, parallel with it, (II) the conventional comparison of these taxes with National Income.

As an example of our working papers we give hereunder for the conventional comparison the resulting hierarchy of percentages for countries in four groups:

Group comprising		Minimum	Maximum
		Percentages	
a	India Pakistan Argentina Brazil Indonesia	4.0	14.5
b	Denmark Italy Japan Israel W. Germany Sweden Norway United States	12.1	26.1
c	France Australia	21.1	28.9
d	Netherlands New Zealand United Kingdom	24.1	35.8

When grouped in percentage relations to Gross National Product at Market Prices, we find, of course, lower percentages, ranging from 3.8 to 31.3. But there results no considerable shifting in the hierarchy of percentages for countries.

(A list showing the pride of place for each country in each table is given *at the end of the note to Appendix* C.).

Table 2 gives the same comparison for 16 countries for Total Taxes on All Tiers, as far as they are known to us (we have no figures for taxes on lower tiers for Argentina and New Zealand; for India, Pakistan and Brazil we have figures for States, but not Local Authorities.) with the global figures of Social Accounting, expressed as percentages.

The hierarchies ensuing differ from those in Table 1 according to the order of magnitude of taxes on one or both lower tiers, added in this table. The more remarkable difference is that for Germany, wich has now the second highest percentage. The percentages range from 6.6 to 35.7 for Gross National Product at Market Prices, and from 6.3 to 42.9 for National Income, respectively.

From *Table 3,* comprising sixteen countries, the following information (Tables 3a and 3b) can be derived, showing the relative weight of States in Federation, Bund, etc.; and of Local Authorities, respectively.

Table 3a

TOTAL TAXES OF STATES AS % OF TOTAL TAXES OF CENTRAL + STATES GOVERNMENT

	48/49	49/50	50/51	51/52	52/53	53/54	54/55
United States . . .	17.2	18.4	16.3	14.2	14.4	—	—
Pakistan	—	24.8	17.5	17.9	23.5	28.7	28.0
India	—	—	—	31.2	35.5	36.7	35.3
Brazil	—	39.3	41.6	41.1	41.5	—	—
Germany	—	40.6	34.9	37.6	41.7	42.6	—

Table 3b

TOTAL TAXES OF LOCAL AUTHORITIES AS % OF TOTAL TAXES ON ALL TIERS

	Source	48/49	49/50	50/51	51/52	52/53	53/54	54/55	55/56
Indonesia . .		—	—	—	1.9	3.3	—	—	—
United Kingdom	16	—	—	—	7.1	6.9	9.8	6.2	—
Brazil . . .		—	—	11.8	8.5	9.6	10.0	10.2	10.1
Australia . .		—	12.3	11.9	10.7	13.8	14.7	—	—
France . . .	C7	—	12.6	10.0	—	—	—	—	—
Germany . .		—	12.3	12.6	12.5	12.6	12.9	13.2	—
Israel . . .		—	—	14.5	12.9	15.8	14.4	11.6	—
United States .		14.7	15.6	13.6	11.9	12.2	—	—	—
United Kingdom	17	12.3	17.0	16.6	—	—	—	—	—
Netherlands .		—	—	23.4	13.8	10.1	15.1	18.2	21.0
Japan . . .		—	18.3	26.2	—	26.4	26.1	—	—
France . . .	1	—	—	—	—	21.4	—	24.2	24.1
Italy		24.4	—	—	—	—	—	—	—
Sweden . . .		—	—	26.7	—	19.6	—	—	—
Norway . . .		—	28.1	27.3	26.2	21.2	—	—	—
Denmark . .		—	35.3	27.3	29.6	32.4	—	—	—

APPENDIX B
Table 4

INDIRECT TAXES OF CENTRAL GOVERNMENT AS % OF GROSS NATIONAL PRODUCT AT MARKET PRICES

(I)

COMPARED WITH

INDIRECT TAXES OF CENTRAL GOVERNMENT AS % OF NATIONAL INCOME

(II)

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55
Argentina	B : A	Gross *Dom.* Prod./*Factor* Cost	I	—	2.9	2.9	4.7	3.3	4.1	3.7
	B : A		II	—	3.3	3.3	5.3	3.7	4.5	4.1
Australia	B : A		I	—	6.9	6.5	8.4	6.9	7.3	—
	B : A		II	—	8.7	7.5	10.0	8.1	8.8	—
Brazil	B : A		I	—	5.4	4.8	5.6	4.9	—	—
	B : A		II	—	6.5	5.9	6.8	5.9	5.9	5.4
Denmark	B : A	Gross *Dom.* Prod./Market Pr.	I	—	7.5	7.0	7.0	6.9	7.3	6.9
	B : A		II	—	9.3	8.9	8.8	8.7	9.3	8.7
France	B : A		I	8.6	12.1	12.6	12.9	12.5	13.4	11.8
	B : A		II	10.5	15.4	16.6	16.7	16.6	18.0	15.8
Germany	B : A		I	—	—	10.6	11.6	11.6	11.2	11.1
	B : A		II	—	—	13.3	14.7	14.9	14.5	14.2
India	B : A	*Net.* Nat. Prod./Market Pr.	I	—	2.1	2.4	3.1	2.5	—	—
	B : A		II	—	2.2	2.5	3.2	2.6	2.4	—

	6 : 4		I	—	—	—	—	—	—	9.1
	6 : 4		II	—	—	—	—	—	—	10.8
Italy	B : A		I	9.8	9.6	9.8	10.6	10.8	11.4	—
	B : A		II	11.8	12.1	12.4	13.4	13.6	14.5	—
Japan	B : A		I	—	8.6	6.6	5.4	5.9	5.7	5.7
	M : A		I	—	8.6	6.5	—	5.7	5.7	—
	B : A		II	—	10.7	7.8	6.6	7.1	6.9	6.8
	M : A		II	—	10.6	7.6	—	6.8	6.8	—
Netherlands . . .	B : A	Taxes gross	I	—	10.6	11.0	11.7	10.5	10.4	10.5
	B : A	„ „	II	—	13.0	13.6	14.8	13.3	12.9	12.9
New Zealand . . .	B : A		I	9.2	8.8	7.8	9.6	8.7	7.9	—
	B : A		II	10.7	10.1	8.9	11.2	10.0	8.9	—
Norway	B : A		I	9.2	9.4	8.3	10.1	11.0	10.4	—
	B : A		II	11.6	12.1	10.9	13.5	14.7	13.9	—
Pakistan	B : A		II	—	4.1	6.5	6.9	5.7	—	—
Sweden	B : A		I	7.9	7.2	6.4	6.5	6.8	7.0	—
	B : A	*Gross* Nat. Prod./Fact. Cost	II	8.7	7.7	6.9	7.0	7.4	7.8	—
United Kingdom . .	B : A5		I	14.2	13.1	13.3	12.9	12.0	—	—
	B : A5		II	15.1	15.8	16.2	15.8	14.3	—	—
	B : A8		I	—	—	—	—	—	11.3	10.9
	B : A8	*Gross* Nat. Prod./Fact. Cost	II	—	—	—	—	—	12.9	12.3
United States . . .	18 : A		I	3.1	2.8	2.8	2.7	3.0	—	—
	18 : A	incl. Employment Tax	I	4.1	3.8	4.0	4.0	4.3	4.5	—
	19 : A		II	3.8	3.4	3.4	3.3	3.6	—	—
	19 : A	incl. Employment Tax	II	4.8	4.5	4.8	4.8	5.1	5.3	—

APPENDIX B

Table 5

INDIRECT TAXES OF CENTRAL GOVERNMENT AND LOWER TIERS AS % OF GROSS NATIONAL PRODUCT AT MARKET PRICES

COMPARED WITH

INDIRECT TAXES OF CENTRAL GOVERNMENT AND LOWER TIERS AS % OF NATIONAL INCOME

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55
			(I)							
Australia	B : A		I	—	9.6	8.6	10.6	9.4	9.8	—
	A		I	—	10.6	9.4	11.9	10.4	10.8	—
	B : A		II	—	11.4	10.0	12.8	11.0	11.8	—
	A		II	—	12.5	10.9	14.2	12.2	12.9	—
Brazil	B : A	Fed. Govt. and States	I	—	9.9	9.4	10.9	10.0	—	—
	A		I	—	11.6	11.6	13.1	12.0	—	—
	B : A		II	—	12.0	11.3	13.4	12.1	—	—
	A		II	—	14.0	14.0	15.9	14.3	—	—
Denmark	0 : A	Gross. Dom. Prod./Market Pr.	I	—	7.6	6.1	5.3	7.1	—	—
	0 : A		II	—	9.5	7.5	6.8	8.9	—	—
France	A		I	—	13.8	15.0	14.9	16.8	17.3	17.5
	A		II	—	17.5	19.6	19.4	22.6	23.1	23.4
Germany	B : A	Bund and Länder	I	—	11.4	12.3	12.1	12.1	11.9	—
	A	All Tiers	I	—	13.6	13.8	14.3	15.1	15.2	15.0
	B : A	Bund and Länder	II	—	14.3	14.7	15.3	15.5	15.5	—
	A	All Tiers	II	—	17.1	17.4	18.1	19.4	19.7	19.4
India	B : A	*Net* Nat. Prod./Market Pr.	I	—	—	—	4.8	4.2	—	—
	B : A		II	—	—	—	4.9	4.4	4.2	—

	5+8 : 4		I	—	—	—	—	—	9.9	11.2
	5+8 : 4		II	—	—	—	—	—	11.6	13.3
Italy	9 : A		I	—	12.9	—	—	—	—	—
	9 : A		II	—	15.9	—	—	—	—	—
Japan	A		I	13.2	14.5	10.2	9.4	10.1	9.5	9.8
	A		II	18.0	17.9	12.1	11.4	12.1	11.4	11.8
Netherlands . . .	A		I	—	11.9	12.2	12.8	11.5	11.5	11.9
	12 : A		I	—	—	—	11.9	11.0	10.5	—
	A		II	—	14.7	15.2	16.0	14.6	14.3	15.0
	12 : A		II	—	—	—	15.2	14.0	13.0	—
New Zealand . . .	A		I	9.5	9.0	7.9	9.9	8.9	8.1	—
	A		II	10.9	10.3	9.1	11.1	10.2	9.2	—
Norway	A		I	—	11.0	11.0	11.7	11.9	11.5	11.1
	A		II	—	13.9	14.2	15.8	16.4	15.4	14.9
Pakistan	B : A		II	—	5.2	7.4	8.0	7.1	—	—
Sweden	A		I	—	9.0	8.6	7.9	7.9	8.4	8.6
	A	*Gross* Nat. Prod./Factor Cost.	II	—	9.7	9.2	8.5	8.6	9.1	9.3
United Kingdom . .	A5		I	18.9	17.4	16.5	12.9	12.8	—	—
	A5		II	22.4	21.0	20.1	15.9	14.6	—	—
	A8		I	—	—	—	—	—	11.5	11.4
	A8	*Gross* Nat. Prod./Factor Cost.	II	—	—	—	—	—	13.2	13.0
United States . . .	18 : A		I	5.7	5.4	5.3	5.3	5.5	—	—
	A		I	8.7	8.7	8.5	8.6	8.8	7.7	—
	18 : A		II	6.8	6.3	6.2	6.4	6.6	—	—
	A		II	10.4	10.3	10.1	10.2	10.5	9.2	—

APPENDIX B
Table 6

INDIRECT TAXES AS % OF TOTAL TAXES CENTRAL GOVERNMENT

(I)

COMPARED WITH

INDIRECT TAXES AS % OF TOTAL TAXES CENTRAL GOVERNMENT AND LOWER TIERS

(II)

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55	55/56
Argentina	B		I	—	47.4	43.8	54.7	43.0	54.9	54.9	—
Australia	B		I	—	38.4	32.1	34.7	32.1	36.0	—	—
	B		II	—	44.2	37.9	39.9	38.6	42.2	—	—
Brazil	B	Fed. Govt. and States	I	—	71.0	68.0	67.4	63.5	61.1	60.3	—
	B		II	—	79.1	78.0	77.8	75.5	—	—	—
Denmark	B		I	—	54.7	57.0	53.9	51.3	53.4	53.6	—
	C7		I	—	57.6	57.9	—	—	—	—	—
	0		I	—	—	—	51.0	55.1	—	—	—
	C7		II	—	39.8	38.7	—	—	—	—	—
	0		II	—	—	—	36.3	37.8	—	—	—
France	B		I	61.1	73.0	67.7	70.6	70.2	68.1	68.8	—
	C7		II	—	61.4	57.9	—	58.2	—	—	—
	A : C7		II	—	72.6	72.3	—	75.1	—	—	—
	1	Total incl. } Soc. Security	II	—	—	—	—	—	—	55.4	54.8
	1	Total exl. }	II	—	—	—	—	—	—	77.4	77.5
Germany	B		I	—	—	96.6	82.2	75.7	73.8	72.7	—
	B	Bund und Länder	II	—	52.9	57.4	55.5	53.3	52.3	—	—
	2	All Tiers	II	—	55.4	59.6	57.4	57.8	57.7	57,5	—
India	B		I	—	54.9	57.4	63.5	58,3	60.8	63.4	—
	B	Centr. Govt. + States	II	—	—	—	60.8	56.2	56.0	57.1	—

Italy	B		I	79.6	81.4	82.5	81.7	80.8	82.3	81.0	—
	C29		I	—	—	—	—	—	—	71.5	—
	9		II	81.5	—	—	—	—	—	—	—
Japan	B		I	—	45.7	45.8	41.8	44.0	46.7	46.3	—
	11		I	—	45.8	45.0	—	44.4	47.1	—	—
	A : 11		II	—	62.9	53.7	—	56.5	58.6	—	—
Netherlands . . .	B	Gross	I	—	47.1	48.5	47.4	42.3	43.9	46.6	46.3
	12		II	—	—	—	48.0	46.4	45.2	—	—
	A : C30		II	—	—	45.2	50.0	46.6	47.4	50.0	—
New Zealand . . .	B		I	34.6	36.9	34.4	34.7	37.8	31.6	—	—
Norway	B		I	53.5	60.8	59.7	66.1	64.4	66.7	—	—
	A : 14/C27		II	—	51.6	60.4	59.0	53.2	—	—	—
Pakistan	B		I	—	85.7	89.2	88.1	83.4	79.4	81.1	—
	B	Centr. Govt. + States	II	—	80.5	84.5	84.4	79.3	73.9	74.3	—
Sweden	B		I	48.9	48.9	44.1	37.2	38.9	39.9	41.7	—
	A : B15		II	—	—	—	39.7	—	38.5	—	—
United Kingdom . .	B		I	45.5	44.2	46.8	49.9	44.0	45.1	45.1	—
	17		II	52.2	48.7	48.5	—	—	—	—	—
	A : 17		II	48.3	44.6	46.1	—	—	—	—	—
	A : B+16		II	—	—	—	49.2	—	—	—	—
	A : C28		II	—	—	—	—	49.9	51.2	51.8	—
United States . . .	18		I	22.9	23.5	20.3	16.4	17.3	—	—	—
	19	incl. Employm. Tax.	I	25.6	27.4	25.6	21.2	21.9	22.6	23.9	—
	18		II	29.0	29.9	27.3	23.3	24.3	—	—	—
	A : 18		II	44.7	48.6	43.9	37.4	38.4	—	—	—

NOTE TO APPENDIX B

Table 4 shows for eighteen countries Indirect Taxes of Central Government as compared with global figures. We feel that a comparison of the ensuing hierarchy with that for the impact of Total Taxes of Central Government on the national economy is instructive. It shows that the impact of Indirect Taxes at this level is comparatively much lower than that of Total Taxes in U.S., Japan, Sweden, Australia and New Zealand; the contrary is found for Indonesia, Italy, Germany, and France. The total range is from 2.1 to 14.4 % of Gross National Product at Market Prices; or from 2.2 tot 18 % of National Income, respectively.

This picture is thouroughly changed by inclusion of Lower Tiers, for seventeen countries, in *Table 5*. The minimum and maximum percentages are then 4.2 and 22.4 of Gross National Product at Market Prices; or 4.2 and 23.4 of National Income.

A comparison of tables 4 and 5 shows that the impact of indirects taxes on all levels, compared to that on the central level, and measured as a percentage of the global figures of Social Accounting is remarkably less in Denmark, Sweden, New Zealand, and Indonesia; and remarkably more in Japan and Brazil.

It may further be instructive to compare the hierarchy ensuing from his table with that from Table 2. Nine of seventeen countries change place to a remarkable measure; for details cp. List *at end of Note to Appendix C.*

Table 6 turns to the not unusual study of showing Indirect Taxes as a percentage of Total Taxes. This exercise is frequently, but most unsatisfactorily, made for the central level only. We give in one table the results for the Central Government and for All Tiers.

Taking the share of Indirect Taxes on All Tiers as a criterion, we get the following groups:

Indirects Taxes as precentage of Total Taxes, on All Tiers:

more than 70 %	Indonesia, Pakistan, Italy, Brazil, France
more than 60 %	Israel
more than 50 %	India, Japan, Norway, Germany
more than 40 %	United Kingdom, Netherlands, United States, Australia
more than 40 %	Denmark, Sweden, (New Zealand?)

Among the eighteen countries we find five, three of them federal states: Pakistan, W. Germany, and India, and two others: Norway and Denmark, where the share of Indirect Taxes of Central Government is bigger than that of Indirect Taxes on All Tiers known. The most prominent and surprising case is that of Denmark, where the share of Local Authorities in direct taxation seems to be uncommonly big; better known is the reason for the change in Germany's place, where the share of the Bund in Income Tax has been increasing from a very low level.

APPENDIX C
Table 7

INDIRECT TAXES + CORPORATION TAXES AS % OF GROSS NATIONAL PRODUCT AT MARKET PRICES CENTRAL GOVERNMENT

COMPARED WITH

INDIRECT TAXES + CORPORATION TAXES AS % OF NATIONAL INCOME CENTRAL GOVERNMENT

	(I)			(II)						
Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55
India	B : A	*Net* Nat. Prod./Market Pr.	I	—	2.5	2.8	3.5	2.9	—	—
	B : A		II	—	2.6	2.9	3.6	3.1	2.8	—
Indonesia	3 : A		I	—	—	—	11.4	8.9	—	—
	3 : A		II	—	—	—	13.5	9.3	—	—
Israel	5/6 : 4		I	—	—	9.1	8.9	6.9	8.8	10.3
	5/6 : 4		II	—	11.0	11.5	11.1	8,1	10.2	12.3
Japan	11 : A		I	—	10.5	8.9	—	8.6	8.0	—
	11 : A		II	—	12.9	10.1	—	10.2	9.6	—
Pakistan	B : A		II	—	4.2	6.6	7.0	5.9	—	—
United Kingdom	B+A : A5		I	18.9	18.8	19.1	17.8	17.9	—	—
	B+A : A5		II	20.7	22.8	23.3	21.8	21.9	—	—
	B+A : A8		I	—	—	—	—	—	17.0	15.9
	B+A : A8	*Gross* Nat. Prod./Factor Cost	II	—	—	—	—	—	19.4	18.0
United States	18 : A		I	7.5	6.5	7.1	8.8	8.8	—	—
	18 : A		II	9.0	7.8	8.5	10.6	10.5	—	—
	19 : A	incl. Employment Tax	I	8.5	7.6	8.4	10.2	10.2	10.5	—
	19 : A	" " "	II	10.2	9.1	9.9	12.2	12.2	12.5	—

APPENDIX C
Table 8

INDIRECT TAXES + CORPORATION TAXES
AS % OF GROSS NATIONAL PRODUCT
AT MARKET PRICES
CENTRAL GOVERNMENT
AND LOWER TIERS

(I)

COMPARED WITH

INDIRECT TAXES + CORPORATION TAXES
AS % OF NATIONAL INCOME
CENTRAL GOVERNMENT
AND LOWER TIERS

(II)

Country	Key to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55
Australia	A		I	—	13.8	12.3	15.9	14.4	13.8	—
	A		II	—	16.3	14.5	19.0	16.9	16.5	—
France	A		I	—	18.1	19.3	20.0	21.4	22.5	—
	A		II	—	23.1	25.4	25.3	28.9	30.3	—
	B : A	Bund and Länder	I	—	13.2	13.4	14.3	14.3	14.1	—
	B : A		II							

	6+8 : 4		II	—	—	—	—	12.9	14.8	—
Japan	A		I	14.7	14.3	13.0	13.5	13.7	12.8	13.4
	A		II	19.9	21.3	15.4	16.5	16.4	15.4	15.9
Netherlands . . .	A		I	—	15.6	16.1	16.9	17.0	15.7	15.2
	A		II	—	19.3	20.0	21.6	21.6	19.6	19.0
New Zealand . . .	A		I	16.0	14.6	12.7	15.5	14.6	13.1	—
	A		II	18.5	16.7	14.5	19.6	16.8	14.9	—
United Kingdom . .	A : A5		I	21.9	21.7	21.5	20.6	20.6	—	—
	A : A5		II	26.4	26.2	26.1	25.1	24.9	—	—
	A : A8		I	—	—	—	—	—	19.9	19.2
	A : A8	*Gross* Nat. Prod./Factor Cost	II	—	—	—	—	—	22.6	21.7
United States . . .	A		I	12.8	14.9	15.3	14.3	14.6	12.5	—
	A		II	10.3	9.2	9.8	11.6	11.6	—	—
	18 : A		I	15.2	17.7	18.2	17.0	17.4	14.9	—
	18 : A		II	12.2	10.9	11.6	13.9	13.9	—	—

APPENDIX C
Table 9

INDIRECT TAXES AS % OF TOTAL TAXES ON ALL TIERS CENTRAL GOVERNMENT AND LOWER TIERS

(I)

COMPARED WITH

INDIRECT TAXES + CORPORATION TAXES AS % OF TOTAL TAXES ON ALL TIERS CENTRAL GOVERNMENT AND LOWER TIERS

(II)

Country	Key to to Sources			48/49	49/50	50/51	51/52	52/53	53/54	54/55
Australia	B		I	—	44.2	37.9	39.9	38.6	42.2	—
	A : B		I	—	48.8	41.7	44.1	42.6	46.1	—
	A : B		II	—	63.4	54.1	58.9	59.0	59.1	—
Brazil	B	Fed. Governm. and States	I	—	79.1	78.0	77.8	75.5	—	—
Denmark	0		I	—	39.8	38.7	36.3	37.8	—	—
France	C7		I	—	61.4	57.9	—	58.2	—	—
	A : C7		I	—	72.6	72.3	—	75.1	—	—
	1		I	—	—	—	—	—	—	55.4
	A : C7		II	—	95.6	93.5	—	95.9	—	—
Germany	B	Bund und Länder	I	—	52.9	57.4	55.5	53.3	52.3	—
	B	„ „ „	II	—	61.4	65.8	65.7	63.0	61.7	—
	A : 2	All Tiers	I	—	55.4	59.6	57.4	57.8	57.7	57.5
	A : 2	„ „	II	—	62.9	66.9	66.3	66.2	65.9	—
India	B	Centr. Govt. and States	I	—	—	—	60.8	56.2	56.0	57.1

	5+8		II	—	—	—	—	—	70.1	67.6
Italy	9		I	—	81.5	—	—	—	—	—
Japan	A : 11		I	—	62.9	53.7	—	56.5	58.6	—
	A : 11		II	—	75.0	68.1	—	76.6	78.9	—
Netherlands . . .	A : C30		I	—	—	45.2	50.0	46.6	47.4	50.0
	12		I	—	—	—	48.0	46.4	45.2	—
	A : C30		II	—	—	59.7	66.0	68.7	64.9	63.9
Norway	A : 14		I	—	51.6	60.4	59.0	53.2	—	—
Pakistan	B	Centr. Govt. and States	I	—	80.5	84.5	84.4	79.3	73.9	74.3
Sweden	A : B+15		I	—	—	—	39.7	—	38.5	—
United Kingdom . .	17		I	52.2	48.7	48.5	—	—	—	—
	A : 17		I	48.3	44.6	46.1	—	—	—	—
	B+16		I	—	—	—	49.2	—	—	—
	A : C28		I	—	—	—	—	49.9	51.2	51.8
	A : 17		II	61.5	60.8	63.9	—	—	—	—
	A : B+16		II	—	—	—	66.3	—	—	—
	A : C28		II	—	—	—	—	70.0	71.8	70.4
United States . . .	18		I	29.0	29.9	27.3	23.3	24.3	—	—
	A : 18		I	44.7	48.6	43.9	37.4	38.4	—	—
	18		II	52.5	51.5	50.6	51.2	50.7	—	—
	A : 18		II	65.1	83.6	79.9	62.7	63.6	—	—

NOTES TO APPENDIX C

Table 7 compares, for seven countries, the additive figure of Indirect and Corporation etc. Taxes on the Central Government level with global figures of their Social Accounting. This table should be compared to the corresponding figures without Corporation etc. Taxes in Table 4.

The range of percentages now reaches from 2.5 to 19.1 for Gross National Product at Market Prices; and from 2.6 to 23.3 for National Income.

Table 8 performs the same operation, for nine countries, for „cost-increasing" taxes on all levels. We find the following groups according to minima and maxima of percentage figures for the two global figures of Social Accounting, respectively, over time series:

Country	Gross National Product at Market Prices	National Income
Israel	9.2—12.5	10.7—14.8
Australia, Japan, United States, New Zealand	12.3—16.0	14.2—19.6
Germany, Netherlands	15.4—17.3	19.3—22.5
France, United Kingdom	18.1—22.5	21.7—30.3

No similarity of trends can be observed; while for France and Germany percentages rise, they fall for United Kingdom; for the others the movement is erratic.

Table 9 compares the conventional concept of Indirect as „cost-increasing" Taxes on all levels, as percentages of Total Taxes on All Tiers, with the tentatively used wider concept, including Corporation etc. Taxes.

The degree of importance of excluding or including Corporation Taxes differs greatly from one country to another. This difference, or, with other words, the Corporation etc. Taxes as percentages of Total Taxes on All Tiers, is hereunder listed. We give for eight countries the minima and maxima for these differences as observed in any of the years listed, because the amplitudes of the fluctuations within the figures for most countries are exceedingly wide. To explain such fluctuations, the changing tax realities in each country must be studied individually: such as

changes in the turnover of real goods and services (business cycles)
changes in monetary turnover (purchasing power of currencies)
changes in tax legislation (concepts and rates)
changes in tax administration
etc.

Table 9a

CORPORATION ETC. TAXES
AS % OF TOTAL TAXES ON ALL TIERS

Israel	2.4— 9.7
Germany	7.3— 8.6
Australia	12.4—16.4
Netherlands	13.9—22.1
Japan	12.1—20.3
United Kingdom	13.2—20.6
France	20.2—23.0
United States 18	21.6—27.9
A	26.7—36.0

As we doubted whether the figures available for Germany represented a concept as wide as that used for other countries in this table, we asked Prof. Neumark to help us find comparable figures. Thanks to the trouble he took, we have ascertained that the absolute figures for Germany are only those of Company Tax; that the figures concerning the share of companies in the Berlin Emergency Tax change the picture very slightly only, and that the companies' share in the sums collected as "Vermögens- and Gewerbesteuern" respectively, have not been published.

We finally classify the countries dealt with in Table 9 in groups according to the minimum and maximum percentages of „cost-increasing" taxes of Total Taxes, on All Tiers; (cp. the grouping for conventionally conceived Indirect Taxes as in Note to Table 6). Note the extreme change of place for United States!

Grouping according to Minima

France	more than 90 %
Japan, Israël, Germany, United Kingdom	more than 60 %
Netherlands, Australia, United States	more than 50 %

Grouping according to Maxima

France	more than 90 %
United States	more than 80 %
Japan, Israel, United Kingdom	more than 70 %
Netherland, Germany, Australia	more than 60 %

LIST OF THE PLACE OF COUNTRIES IN EACH TABLE

(from lowest percentages upward)

	Relation to Global Figures								Relation to Total Taxes		
	Table 1		Table 2		Table 4	Table 5	Table 7	Table 8	Table 6		Table 9
	I	II	I	II					I	II	
Countries in each table	17	18	15	16	18	17	7	9	18	16	8
Argentina	2	3	—	—	2	—	—	—	6	—	—
Australia	14	15	11	13	9	8	—	2	3	3	2
Brazil	3	4	3	4	5	11	—	—	13	13	—
Denmark	5	6	6	7	7	4	—	—	9	1	—
France	13	14	12	12	17	16	—	8	14	12	9
Germany	8	10	14	15	15	15	—	6	15	7	3
India	1	1	1	1	1	1	1	—	10	10	—
Indonesia	4	5	2	3	12	7	3	—	18	16	—
Israel	9	9	4	5	10	10	6	1	11	11	6
Italy	6	7	5	6	14	12	—	—	16	14	—
Japan	7	8	7	8	6	9	5	3	5	9	7
Netherlands	15	16	13	14	16	14	—	7	8	5	4
New Zealand	16	17	—	—	11	6	—	5	2	—	—
Norway	10	12	10	11	13	13	—	—	12	8	—
Pakistan	—	2	—	2	4	2	2	—	17	15	—
Sweden	11	11	8	9	8	5	—	—	4	2	—
United Kingdom	17	18	15	16	18	17	7	9	7	6	5
United States	12	13	9	10	3	3	4	4	1	4	1/8

APPENDIX B

Table 10

ISRAEL (ABSOLUTE FIGURES)

1000 of Israel Pounds

Financial Year	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56
Social Accounting Period	1949	1950	1951	1952	1953	1954	1955
Gross National Product Market Prices	—	426.000	654.000	1.095.000	1.354.000	1.737.000	2.053.000
National Income	240.000	338.000	528.000	935.000	1.166.000	1.461.000	1.663.000
CENTRAL GOVERNMENT							
Total Government Receipts	43.033	73.062	117.627	174.823	242.045	Pr. 344.296	E 440.000
Total Taxes	35.582	56.206	90.155	132.783	182.491	282.764	373.800
Total Indirect Taxes	23.704	32.849	52.663	71.681	103.271	157.819	208.000
Total Direct Taxes	11.878	23.357	37.429	61.102	79.220	124.945	165.800
Total Income Taxes	9.341	19.059	32.178	56.957	75.126	119.098	156.000
Personal Income Tax	6.579	13.050	26.780	53.268	Pr 59.797	E 97.850	—
Corporation Tax	2.762	6.009	5.389	3.689	Pr 15.329	E 21.248	—
CENTRAL GOVERNMENT AND LOWER TIERS							
Total Taxes	—	65.742	103.503	157.648	213.811	319.979	—
Total Indirct Taxes	—	42.385	66.011	96.546	134.591	195.034	—
Total Direct Taxes	—	23.357	37.429	61.102	79.220	124.945	—
Corporation Taxes	—	6.009	5.398	3.689	Pr 15.329	21.248	—

E = Estimate; Pr = Provisional Result.

ISRAEL (ABSOLUTE FIGURES)

Sources:

Gross National Product at Market Prices:

Dr. A. L. Gaathon (1951 unpublished) for 1949, 1950, 1951.
Dr. D. Creamer and Dr. H. Lubell, "Estimates of National Income and Expenditure", revised, for 1952, 1953.
Bank of Israel (Dr. A. L. Gaathon) for 1954, 1955.

National Income:
as above.

Budget Figures:

Central Government: "Development of Taxes" July 1954, Ministry of Finance, p. 36, p. 17, for 1949 to 1952; "Statistical Survey of Tax Revenue 1954/55", May 1955 Ministry of Finance, for 1952/53 and 1953/54; "Government Yearbook 1954", p. 109 for division of Income Tax in 1953/54; "Government Yearbook 1955" for 1954/55; "Statistical Survey of Tax Revenue 1954/55 for division of Income Tax in 1954/55; "Reports of the Accountant General" as quoted in "Report of the Bank of Israel, May 1956, p. 221, for 1955/56.

Local Authorities:

"Hashilton Hamekomi"
August 1951, p. 453, 454 for 1950/1951.
December 1952, p. 73, for 1951/1952.
February 1954, p. 180/185
March 1954, p. 242
} for 1952/1953.
5th Report of the State Comptroller, p. 246, Table D, for 1953/1954.
6th Report of the State Comptroller, p. 277, Table 24, for 1954/1955.

Remark:

"Total Receipts" of the Central Government as here used do not include "Special Receipts"; these were in percentages of the Grand Total of the Ordinary Budget:

1949/50	1950/51	1951/52	1952/53	1953/54
24.5	17.7	8.4	3.1	1.4

APPENDIX D Table 11

CENTRAL GOVERNMENT — ISRAEL

	49/50	50/51	51/52	52/53	53/54	54/55	55/56	56/57
1. Total Government Receipts as % of Gross Nat. Product/M.P.		17.2	18.1	16.0	17.9	19.8	21.4	
2. Total Governments Receipts as % of National Income	18.0	21.6	22.3	18.7	20.7	23.6	26.4	
3. Total Taxes as % of Gross Nat. Product/M.P.		13.2	13.8	12.1	13.5	16.3	18.2	
4. Total Taxes as % of National Income	14.8	16.6	17.1	14.2	15.7	19.4	22.5	
5. Total Taxes as % of Total Government Receipts		82.7	76.9	76.6	75.7	74.8	82.1	
6. Indirects Taxes as % of Gross Nat. Product/M.P.		7.7	8.2	6.6	7.6	9.1	10.1	
7. Indirect Taxes as % of National Income	9.9	9.7	10.0	7.7	8.9	10.8	12.5	
8. Indirect Taxes + Corporation Tax. as % of Gross Nat. Product/M.P.		9.1	8.9	6.9	8.8	10.3		
9. Indirect Taxes + Corporation Tax. as % of National Income	11.0	11.5	11.1	8.1	10.2	12.3		
10. Indirect Taxes as % of Total Taxes	66.6	58.4	58.4	54.0	56.6	55.8	55.6	
11. Indirect Taxes + Corporation Tax. as % of Total Taxes	74.4	69.2	64.4	56.8	64.9	63.3		
12. Direct Taxes as % of Gross Nat. Product/M.P.		5.5	5.6	5.5	5.9	7.2	8.1	

15. Direct Taxes — Corporation Taxes as % of National Income	3.8	5.1	6.0	6.1	5.5	7.1		
16. Direct Taxes as % of Total Taxes	33.4	41.6	41.6	46.0	43.4	44.2	44.4	
17. Direct Taxes — Corporation Taxes as % of Total Taxes	25.6	30.8	35.6	40.2	35.1	36.7		
18. Direct Taxes, other than Inc. Tax. as % of Total Taxes	7.1	7.7	5.9	3.1	2.2	2.0	3.0	
19. Direct Taxes, other than Inc. Tax. as % of Total Income Taxes	21.5	18.6	14.2	6.8	5.2	4.7	5.9	
20. Income Taxes as % of Gross Nat. Product/M.P.								
21. Income Taxes as % of National Income								
22. Income Taxes as % of Total Taxes	26.3	33.9	35.7	42.9	41.2	42.2	41.4	
23. Income Tax as % of Total Income Taxes	78.5	81.4	85.8	93.2	94.8	95.3	94.1	
24. Personal Income Tax as % of Total Taxes	18.4	23.2	29.7	40.1	32.8	34.6		
25. Corporation Tax as % of Total Taxes	7.8	10.7	6.0	2.8	8.4	7.6		
26. Personal Income Tax as % of Total Income Taxes	70.4	68.5	83.2	93.5	79.6	82.2		
27. Corporation Tax as % of National Income	29.6	31.5	16.8	6.5	20.4	17.8		
28. Total Tax of Central Government as % of Total Taxes on all levels		85.5	87.1	84.2	85.6	88.4		
29. Total Taxes of lower tiers as % of Total Taxes on all levels		14.5	12.9	15.8	14.4	11.6		

APPENDIX D Table 12

CENTRAL GOVERNMENT AND LOWER TIERS — ISRAEL

	49/50	50/51	51/52	52/53	53/54	54/55	55/56	56/57
1. Total Government Receipts as % of Gross Nat. Product/M.P.								
2. Total Governments Receipts as % of National Income								
3. Total Taxes as % of Gross Nat. Product/M.P.		15.4	15.8	14.4	15.8	18.4		
4. Total Taxes as % of National Income		19.5	19.6	16.8	18.4	21.9		
5. Total Taxes as % of Total Government Receipts								
6. Indirects Taxes as % of Gross Nat. Product/M.P.		9.9	10.1	8.8	9.9	11.2		
7. Indirect Taxes as % of National Income		12.5	12.5	10.3	11.6	13.3		
8. Indirect Taxes + Corporation Tax. as % of Gross Nat. Product/M.P.		11.4	10.9	9.2	11.1	12.5		
9. Indirect Taxes + Corporation Tax. as % of National Income		14.3	13.5	10.7	12.9	14.8		
10. Indirect Taxes as % of Total Taxes		64.5	63.8	61.2	62.9	61.0		
11. Indirect Taxes + Corporation Tax. as % of Total Taxes		74.2	69.0	63.6	70.1	67.6		
12. Direct Taxes								

15. Direct Taxes — Corporation Taxes as % of National Income		5.2	6.1	6.1	5.5	7.1	
16. Direct Taxes as % of Total Taxes		35.5	36.2	38.8	37.1	39.0	
17. Direct Taxes — Corporation Taxes as % of Total Taxes		25.8	31.0	36.4	29.9	32.4	
18. Direct Taxes, other than Inc. Tax. as % of Total Taxes							
19. Direct Taxes, other than Inc. Tax. as % of Total Direct Taxes							
20. Income Taxes as % of Gross Nat. Product/M.P.							
21. Income Taxes as % of National Income							
22. Income Taxes as % of Total Taxes							
23. Income Tax as % of Direct Taxes							
24. Personal Income Tax as % of Total Taxes							
25. Corporation Tax as % of Total Taxes		9.7	5.2	2.4	7.8	6.6	
26. Personal Income Tax as % of Total Income Taxes							
27. Corporation Tax as % of Total Income Taxes							
28. Total Tax of Central Government as % of Total Taxes on all levels		85.5	87.1	84.2	85.6	88.4	
29. Total Taxes of lower tiers as % of Total Taxes on all levels		14.5	12.9	15.8	14.4	11.6	

SUR LES REALITES DE TAXATION NATIONALE ET LES COMPARAISONS DE FISCALITE INTERNATIONALE

par E. Alexander-Katz

RÉSUMÉ

Le but du présent article est de donner un exposé des problèmes qui se présentent quand il s'agit de décrire et d'analyser les fiscalités d'un pays ou de comparer ces fiscalités, par exemple de différents pays, pour une période déterminée.

Le chapitre I décrit en grandes lignes les faits qui constituent le fond général socio-politique et économique d'un pays dont on doit examiner la taxation.

Dans le chapitre II les détails qui doivent être considérés pour la description des fiscalités d'un pays sont énumérés et, en partie, discutés. On y traite de la difficulté de compenser les impôts par des avantages, surtout des avantages répartissables et plus particulièrement des allocations sociales; les difficultés plus spécifiques concernant les subventions à cause des défauts dans les statistiques publiées; les difficultés encore plus grandes amenées par l'inclusion des systèmes de sécurité sociale dans les impôts et/ou dans les dépenses.

La pratique de limiter la description et l'analyse exclusivement au Gouvernement Central est critiquée. Il faudrait prendre en considération l'ensemble de l'imposition à tous les échelons. L'imposition à des échelons inférieurs peut donner lieu à des fiscalités différant sensiblement des régimes fiscaux conventionnels.

Un régime fiscal national provoque des changement dans la structure sociale et économique d'un pays. Un aperçu est donné du problème de l'incidence des impôts.

Aucun pays ne possède un système fiscal; le régime fiscal d'un pays consiste habituellement en de nombreuses contributions historiques, qui sont loin d'être intégrées. Elles comprennent des éléments endogènes aussi bien qu'étrangers, ceux-ci résultant de la propagation d'idéaux, d'idées, et de modes de taxation.

Outre les lois, l'ensemble des réglémentations administratives devrait être considéré: on ne saurait admettre que l'administration fiscale d'un pays serait toujours capable d'observer les lois et les règles créées pour elle et qu'elle y serait disposée; également la mesure dans laquelle le public observe les lois fiscales diffère considérablement d'un pays à un autre.

Même à l'ntérieur d'un pays, l'influence de forts mouvements inflationnistes pourrait s'avérer bouleversante.

La jurisdiction fiscale, sa compétence et l'emploi qu'on en fait devraient être étudiés.

Le chapitre III traite des aspects différents des chiffres publiés sur le revenu fiscal national.

Le chapitre IV discute d'abord l'étude de tels chiffres dans leur rapport avec les chiffres globaux de la comptabilité national. Il résume la théorie Colin Clark; la préférence que Visine donne au produit national brut au prix du marché comparé au revenu national comme base de comparaison; les attitudes changeantes de Colm et Kuznets vis-à-vis de l'exclusion des impôts indirects du revenu national.

L'inclusion de l'impôt sur les personnes morales dans les impôts indirects selon Visine est discutée.

Le concept des charges fiscales est critiqué; on prend position vis-à-vis du problème de l'incidence. L'attitude conventionnelle vis-à-vis de l'impôt sur les personnes morales est caractérisée comme légalistique.

Ensuite, la comparaison des chiffres fiscaux entr'eux est considérée et plus particulièrement la relation entre les impôts directs et indirects.

On donne des chiffres pour les Etats-Unis et l'Israel, comparant la part des sociétés d'une part et de personnes autonomes d'autre part, dans le paiement de „l'impôt sur le revenu" résultant en relations inverses. Un autre tableau démontre le rôle joué par la taxation directe sur les personnes morales dans le revenu fiscal total sur tous les niveaux et dans sept pays.

Des calculs pro capita, de nature diverse, n'ajoutent pas de renseignements vraiment importants. On ne saurait pas attribuer de signification au chiffre dit „Subsistence Minimum", (minimum vital).

Le chapitre V traite des comparaisons fiscales internationales. Il énumère les récoltes principales de matière. Il signale la difficulté de comparer des chiffres monétaires dans le temps et l'espace.

Le chapitre VI décrit les tableaux statistiques joints dans quatre annexes.

L'annexe A démontre que l'argumentation de Visine en faveur d'une comparaison d'impôts avec le produit national brut au prix du marché n'augmente pas considérablement notre compréhension, mais pourrait être utile par son effect psychologique.

Elle montre l'importance de l'inclusion de la taxation à des échelons inférieurs et donne lieu à des délibérations politiques élémentaires sur la distribution des compétences d'imposition entre ces différents échelons.

L'annexe B, traitant des impôts indirects, démontre encore plus nettement la nécessité de l'inclusion des échelons inférieurs; certaines modifications de la „Rule" de Spitaler semblent indiquées.

L'annexe C traite à titre d'essai de l'inclusion de la taxation des sociétés dans les impôts indirects selon Visine. Il en résulte une image très peu familière, qui semble indiquer le charactère régressif inhérent à tous les régimes fiscaux.

L'annexe D fournit le matériel à la base des travaux effectués par l'auteur pour le pays d'Israel et qui sert d'exemple pour le travail à la base des autres annexes.

Les tableaux sont précédés d'une „Note générale sur les statistiques sonsultées" et d'une „Clef aux Sources".

Les notes à la fin de chaque annexe donnent quelques détails, supplémentaires pour l'évaluation des „résultats".

Finalement, on donne une liste de la place des pays dans chaque tableau.

ETUDE COMPARATIVE DES STRUCTURES BUDGETAIRES BRITANNIQUES ET FRANCAISES
(Budget d'Etat)

par V. ROUQUET LA GARRIQUE
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La structure des budgets et la classification des recettes et des dépenses de l'administration centrale posent un problème important dans tous les pays dont l'économie nationale répond aux critères de ce que l'on appelle un „système complexe".

L'Angleterre et la France présentent les conditions d'un tel système.

Le Gouvernement ne peut formuler sa politique financière et la rendre efficace que s'il détient des informations précises sur les opérations diverses du secteur public.

Il ne peut l'éclairer et la dominer sous tous ses aspects s'il n'existe pas, à chacun des degrés de la hiérarchie administrative, un système adéquat d'organisation financière et de présentation matérielle des comptes.

Un plan de classement doit répondre aux exigences de la croissance économique ainsi qu'à l'ampleur de l'évolution des organismes étatiques et para-étatiques.

Que le budget de l'Etat aide à fixer des objectifs de plein emploi ou à élaborer des programmes de développement économique et de progrès social, l'activité du pouvoir central s'accroît dans les domaines de la production, du commerce et du financement.

D'un point de vue théorique et général, également valable pour les pays développés et pour les pays insuffisamment développés, la présentation du budget de l'Etat devrait correspondre à une structure schématisée de la comptabilité nationale et figurer un modèle réduit du budget économique. Une telle correspondance permettrait d'améliorer la comparabilité des données financières sur le plan intérieur aussi bien que leur rapprochement sur le plan international, ce deuxième aspect du problème relevant de la compétence des auteurs des programmes internationaux qui visent à coordonner la politique des différents gouvernements en matière de finances publiques.

Les problèmes de structure budgétaire et de nomenclature des comptes du pouvoir central sont liés à ceux que posent la composition et l'adoption du budget, d'une part, à l'exécution et au contrôle, d'autre part.

Il est malaisé — pour ne pas dire pratiquement impossible — de dissocier les problèmes de structure et de nomenclature de ceux qui ont trait à la gestion budgétaire. Néanmoins, l'analyse comparative sur le plan structurel des budgets britannique et français, nous donnera la possibilité de trouver — en les extrayant de données sûres et relativement claires touchant l'activité centrale — quelques éléments-clés pouvant contribuer à arrêter une politique financière et fiscale durable.

L'apect politique est, ici, déterminant pour l'action.

Cependant, le budget de l'Administration Centrale n'a pas pour objet exclusif d'être l'instrument de la gestion et du contrôle financiers. Son image peut être une source de recherches théoriques dans la voie du développement économique national conditionné par la stabilité monétaire.

Depuis le déclin du libéralisme économique, et dans tous les pays de l'Europe, la structure d'un budget d'Etat reste fonction des objectifs des évaluations prévisionnelles, mais par surcroît, elle est assujettie à la diversité des besoins publics et des besoins sociaux — diversité d'ordre géoéconomique ou fondée sur des motivations de la psychologie collective propre à chaque peuple.

Il n'est donc ni possible ni souhaitable d'ériger en dogme intangible un quelconque principe de classification des comptes absolu, une nomenclature-type.

La mise en contact des budgets de l'Angleterre et de la France, au stade actuel de leur élaboration, révèle, néanmoins, un certain nombre de règles profondes, fondamentales et qui, sous la réserve de quelques ajustements acceptables, mais non formellement déterminants, peuvent être avancées ou suggérées comme des directives optima pour l'élaboration d'éléments de finances publiques actives économiquement, socialement et politiquement.

Depuis le début du siècle, les budgets des recettes et des dépenses accusent une progression nette aussi bien en termes monétaires qu'en valeurs réelles. Cette simple constatation me paraît suffisante pour démontrer qu'une *réduction* brutale des dépenses publiques courantes n'est pas nécessairement génératrice de prospérité et qu'elle ne saurait être une solution majeure aux difficultés économiques.

Sans chercher, dès l'abord, à déclarer la supériorité d'un budget fonctionnel sur un budget comptable et administratif, il est bon de dénoncer l'erreur que la dépense publique accroît, dans tous les cas, la demande globale qui s'adresse au revenu de la Nation. Une économie budgétaire de caractère déflationniste peut être opérée par réduction des dépenses administratives, mais elle reste lettre morte si elle n'est point corroborée par un changement profond de la structure même de la fonction gouvernementale et par une modi-

fication corrélative des prérogatives de chacun des grands services de l'Etat.

On notera, par exemple,que les dépenses publiques courantes de l'Angleterre ont diminué, d'une manière notable, depuis quatre ans. Elles absorbaient 29% de la production nationale brute en 1951; ce pourcentage est tombé à 26% en 1955.

Si l'effort vient d'être intensifié récemment, il s'exerce sur un petit nombre de vastes services gouvernementaux: défense nationale, justice, police, services sociaux, assurance nationale, aide à l'agriculture, services d'outre-mer et étrangers.

Plusieurs auteurs essaient de détecter l'efficacité durable et concrète des économies budgétaires qu'entraîneraient des modifications radicales d'ordre politique. Ils procèdent, dans ce but, à l'examen approfondi de l'ensemble des dépenses publiques et à une analyse détaillée des postes budgétaires.

Les discriminations qui s'établissent sont très souvent peu probantes ou trop relatives au temps et à la période de référence choisie.

Si nous réduisons notre diaphragme d'observation des multitudes de rubriques des documents budgétaires anglais et français aux dimensions des catégories économiques fondamentales: *capital* et *revenu,* il ne peut être mis en doute que l'efficience d'une manipulation de la comptabilité publique doit s'appuyer sur le freinage de la dépense en capital.

Dépenses remboursables, dépenses non remboursables, viennent des sources de financement diverses: impôt, emprunt, exploitation du domaine de l'Etat, création de monnaie, avances du Trésor.

Elles peuvent et doivent être contenues principalement dans le sens de la limitation du rythme de développement des dépenses en capital exécutées pour l'expansion des services partout où les finances de l'Etat risquent d'en être affectées.

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Les comparaisons internationales sont toujours chose extrêmement délicate et hasardeuse et l'on ne peut avancer que très prudemment sur un terrain aussi mouvant.

Ou bien, l'on veut juger avec sûreté et il faut descendre dans un labyrinthe, aller jusqu'au bout d'innombrables détails non seulement de ventilation des chiffres mais surtout de confrontation des définitions — ou bien, l'on veut simplement avoir une idée schématique de certains ordres de grandeur.

C'est à ce second objectif et à celui-là seulement que répond la présente note. — Une étude comparée approfondie des deux budgets nécessiterait plusieurs mois de travail.

Le budget anglais se décompose en 2 parties: le budget „above the line" qui correspond à peu près au budget ordinaire français — et le budget „below the line" qui correspond à peu près aux parties du budget de l'Etat français qui sont relatives aux dépenses en capital.

Voici une présentation matérielle réduite des cadres comptables publics de notre pays:

Budget de l'Etat

— Dépenses ordinaires des services Titres I à IV. } civils / militaires.

— Dépenses en capital (équipement) et d'investissement.

Titre V Investissements exécutés par l'Etat. } civils

Titre VI A. Investissements exécutés avec le concours de l'Etat, subventions et participations. } et militaires.

Titre VI B. Prêts et avances.

Titre VII Dommages de guerre.

En outre, un Titre VIII Dépenses effectuées sur ressources affectées.

Budgets annexes P.T.T., etc.

Comptes spéciaux du Trésor

— comptes de commerce,
— comptes d'affectation spéciale,
— comptes d'opérations monétaires,
— comptes d'avances: — aux budgets annexes,
— aux établissements publics, nationaux, services publics de l'Etat, entreprises nationalisées, S.N.C.F. (spécial).
— aux collectivités locales.
— comptes de consolidation,
— comptes d'opérations des territoires occupés,
— versements au Fonds de développement économique et social.

Caisse autonome d'amortissement

— amortissement de la dette,
— remboursement des avances spéciales de la Banque de France.

Il ne me semble pas que le Trésor public joue en Grande-Bretagne le rôle qu'il tient en France. Dans notre pays, le Trésor est

un caissier et un banquier à court terme de l'Etat et des Services publics.

Il fait face aux découverts saisonniers du Budget général et ne prend à sa charge le déficit définitif que sous réserve d'une majoration des impôts ou de l'émission d'un emprunt. Il peut également financer, dans le cadre des comptes spéciaux — dont le déficit est prévu — les opérations commerciales exceptionnellement assumées par l'Etat, les opérations monétaires et les avances à court terme. Quant aux crédits à long terme, incompatibles avec les ressources du Trésor, ils doivent, en principe, être repris par l'organisme financier autonome chargé de consentir des prêts d'investissement.

Le Trésor britannique présente une envergure différente. Pour qu'une comparaison globale soit à peu près valable, il faut rapprocher le budget britannique du budget français auquel on adjoint certaines opérations du Trésor français.

La confrontation des deux structures budgétaires peut s'établir de la manière suivante:

Le budget britannique „above the line" et les dépenses civiles de fonctionnement ainsi que les dépenses militaires du budget français.

Ces deux ensembles budgétaires ne contiennent aucune dépense donnant lieu à des remboursements ultérieurs.

En fonction de ce critère, le budget britannique „below the line" peut s'analyser ainsi:

Dans les dépenses civiles en capital, le Titre VI B s'élevant à 118 milliards, représente la dotation budgétaire au Fonds de développement et d'expansion économique qui ne consent lui-même que des prêts. Ces 118 milliards sont donc destinés à des remboursements ultérieurs.

L'essentiel des prêts à long terme consentis par l'Etat passe par le Trésor public. Une fraction variant entre $^1/_4$ et $^1/_3$ de leur volume figure au budget. Le Trésor qui ne dispose que de fonds à court terme (dépôts disponibles de comptes postaux et des caisses d'épargne) a prêté à long terme en 1955:

178 M.M. au Fonds de développement,
71 M.M. aux H.L.M.,
35 M.M. aux comptes spéciaux.

Cette dernière rubrique correspond au déficit des comptes spéciaux du Trésor (déficit comblé par des avances à deux ans du Trésor, renouvelables et, en général, consolidées).

On peut donc dire assez approximativement, que le déficit des comptes spéciaux correspond à un prêt à long terme.

Au total en 1955 les dépenses remboursables supportées par

l'Etat s'élèvent en France à : 402 M.M. } soit 10%
rapportés à un total de : 4017 M.M. }
et en Grande-Bretagne elles s'élèvent à : 474 M.L. } soit 9%.
rapportées à un total de : 5338 M.L. }

La corrélation de ces deux rapports pourrait servir de base à d'intéressantes interprétations théoriques diversement orientées: rigidité d'une partie du revenu de la nation absorbée par les budgets, complémentarité des économies de nos deux pays, dimension des deux structures financières et au-delà de ces dernières, la liaison entre les deux structures économiques et sociales de la Grande-Bretagne et de la France.

BUDGET ANGLAIS 1955—1956

Millions de livres sterling

Below the line

	Dépenses remboursables	Dépenses non remboursables
Interest outside budget		120
Export guarantees	6	
Post war credits		19
Excess profits tax refunds		3
War damage		24
Scottish special housing	8	
Armed forces housing		7
Loans to local authorities	320	
Loans for new towns development	36	
Post office capital expenditure		72
Loans Televisions	1	
Loans Inventions	1	
Compensations payments		57
Coal nationalisation	95	
Overseas resources	7	
Total du budget "above" et "below the line"	474	302 5.338

Au regard de ces chiffres, le budget français se présente ainsi:

BUDGET 1955

(milliards de francs)

	Crédits ouverts au 31.12.55	
	Non remboursables	Remboursables
Dépenses civiles de fonctionnement . .	1.936	
Dépenses civiles en capital		
V et VI A	265	
VI B	118	118
Dépenses militaires	1.047	
Dommages de guerre	277	
Total budget sauf Titre VIII	3.643	
Ttre VIII Dépenses sur ressources affectées	90	
Charges propres du Trésor (réalisation):		
— Fonds de développement	178	178
— H.L.M.	71	71
— Comptes spéciaux	35	35
	4.017	402

L'importance croissante des charges publiques qui n'est qu'un aspect de l'accroissement des charges humaines et une résultante naturelle de la pression démographique pose à l'Homme d'Etat d'innombrables questions.

A cet égard, je signale l'immense intérêt méconnu que susciterait la recherche démographique mise au service des Finances Publiques. L'inflation n'est-elle pas tout simplement la résultante profonde de l'accroissement du potentiel démographique dans tous les pays du monde, la conséquence naturelle de la demande mondiale, celle d'une „entente" entre toutes les consommations de première nécessité et de luxe?

Dans un système économique qui veut survivre au sein d'une liberté à laquelle aucune conscience ne peut renoncer, le maniement des finances de l'Etat est probablement souverain.

On ne saurait donc trop insister sur la „nécessité d'un système"

efficace de comptabilité publique et d'exécution du budget: élément essentiel de l'organisation administrative de l'Etat, de la mise en oeuvre des programmes de développement économique et de la mise en marche des réformes sociales.

ANNEXE

DEFINITION DES DIFFERENTES DEPENSES REMBOURSABLES DU BUDGET BRITANNIQUE „BELOW THE LINE"

Scottish special Housing: Somme prêtée à une „Housing Association" en Ecosse, qui joue ici le rôle des autorités locales. Cette Association a été autorisée par un „Act".

Loans to Local Authorities: Prêts aux Autorités Locales, généralement pour la construction d'habitations à bon marché.

Loans for New Towns Development: Prêts pour plan: amélioration des agglomérations urbaines dans le Nord de l'Angleterre.

Loans for development of television: Prêts pour aider l'industrie de la télévision.

Loans for development of inventions: Prêt à des particuliers ayant fait une invention qui pourrait présenter un intérêt quelconque, mais non de portée commerciale. Une organisation spéciale a été créée pour ce genre de prêts, dont l'intitulé est „National Research Development Corporation".

Coal Nationalisation — Working, Capital, etc.....: Prêts pour mises de fonds.

Overseas resources — Colonial Development: Sommes prêtées par le Gouvernement en vue du développement des ressources coloniales.

INCOME TAX EXEMPTIONS AND ACCELERATED DEPRECIATION

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The purpose of this paper is to demonstrate the inconsistency of two fiscal devices often used by underdeveloped countries in order to encourage investments there: reduction of the income tax rates on income from approved investments and accelerated depreciation. A practial case will be discussed, i.e., the Israeli Law for the Encouragement of Capital investments. The results of the analysis, however, are not limited to Israel, or to any particular country.

As an attempt to encourage "approved" investment, foreign and domestic, the Israeli Knesset passed the Law for the Encouragement of Capital Investments on March 29, 1950. [1]). Approved investors benefit, according to this law, from quite liberal provisions. The main tax benefits are (1) Allowance of accelerated depreciation (Section 10), (2) Very much reduced income tax rates (Section 11), (3) Exemption from the Urban Property Tax (Section 3) and from the Rural Property Tax (Section 4), (4) Deferment of the payment of fees for the registration of a company (Section 17) and land registration fees (Section 18), and (5) Exemption from customs duties on imports of capital goods (Sections 24, 25).

It is rather obvious that the intention of the law in granting both accelerated depreciation (Section 10) and a reduction in the income tax rates (Section 11) was based on a belief that the two sections together constitute a greater tax incentive than any of them alone. But provisions in a tax law can hardly be added up. For example, the value of an exemption from cost-increasing taxes, say, custom duties or excises, will be considerably increased by a simultaneous cut in the income tax rates. In this case the value for the taxpayer of both provisions together is greater than the sum of the values of

1) This law was amended in 1955.

each provision by itself.[3]). Sections 10 and 11, on the other hand, add up to much less than the sum value of the two separate provisions. Moreover, under conditions which are not extraordinary at all, many investors will not avail themselves of accelerated depreciation; not because accelerated depreciation is not desirable to them, but because the provisions of Section 11 cancel the benefits of accelerated depreciation.

It is widely recognized that if there are expectations of a future rise in the income tax rates, the accelerated depreciation might be left unused, though permissable. One of the major advantages of accelerated depreciation to an investor and the only one to an owner of a single depreciable asset, is the receipt of the tax benefits of depreciation allowances at an earlier date. Being received at an earlier date means that their present value is greater, and increases with the level of the discount rate. But it is not necessarily so if the income tax rates are expected to rise after the book value of the new assets is completely depreciated. A higher income tax implies higher tax benefits due to the depreciation allowances, and the present value of these benefits though they accrue in a more distant future, may easily exceed the present value of depreciation allowances which accrue earlier — accelerated depreciation — but are smaller to begin with (lower income tax rates).

Changes in the rates of income tax, however, are a matter for speculation. In Israel, where there is a tendency to reduce its very high income tax rates, most businessmen probably do not expect a rise in the income tax rates high enough to affect the great advantages of accelerated depreciation at the currently very high rate of discount. The irony of it is that for those businessmen for whom accelerated depreciation is allowed by Section 10 of the Law for Encouragement of Capital Investments, a future rise — and a tremendous one — in the income tax rates is not a matter for speculation at all. It is a cold fact. Both accelerated depreciation and the lower income taxation are practically limited to the first five years be-

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[3]) If the investor is exempted from paying I.P. X custom duties, and the marginal income tax rate is reduced from $\frac{a}{100}$ to $\frac{b}{100}$, the value of the exemption from custom duties will rise from $\frac{(100\text{-}a)\ X}{100}$ to $\frac{(100\text{-}b)\ X}{100}$. Thus an exemption from, or a reduction in the rate of, an income tax not only gives the greatest subsidy to the most profitable investments, but offsets considerably the effects of exemptions from cost-increasing taxes in favor of enterprises with much smaller net revenues.

ginning with the first taxable year. [4]). By the end of the fifth year the rise in the income tax rates would be appalling indeed. According to Section 11 of the Law for Encouragement of Capital Investments an individual or a partnership shall not be liable to pay income tax on his chargeable income derived from an approved investment at a rate exceeding twenty five per cent of this said income for five years from the beginning of the years of assessment in which such an individual is liable for the first time to pay tax on this income. The original law gave no income tax relief to companies as such but only to their shareholders on their dividend incomes. As amended in 1955, it exempts approved corporations, also for five years, from paying income tax, that is, they pay only Company Profits Tax at the rate of 25%, while their shareholders will pay income tax at a rate not exceeding 25%. [5]). On the other hand, the ordinary marginal income tax rate on the income of an individual or a partnership in Israel might reach almost 70% [6]) excluding a special emergency defence contribution, while the ordinary proportional rate on corporations is 53.75% (26.875% Company Profits Tax for which no credit is given to shareholders, 26,875% [7] income tax which is credited pro rata against the personal income tax which stockholders owe on their share of distributed company profits).

Thus after the first five years will have elapsed the income tax rate of an individual or a partnership will rise from 25% to possibly 70%, and the total tax burden on a corporation as such will double.

Under such conditions it will be easly understood that in many cases the existence of a temporary income tax abatement makes it unprofitable for the investor to use accelerated depreciation for tax purposes.

A Numerical Example

In the following numercial example it is assumed that after five years the marginal tax rate rises to 50%, *i.e.*, it rises only by 25%.

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[4]) The special income tax treatment is limited to the "five years from the beginning of the year assessment in which such an individual is liable for the first time to pay tax on his said income". Accelerated depreciation is limited to the first five "years of assessment following the erection of the new building, or from the commencement of the use in Israel of the new machinery or the new plant".

[5]) Thus the Law for Encouragement of Capital Investments still discriminates taxwise against corporations. Yet most of the approved foreign enterprises are corporations by choice.

[6]) Although the average tax rate cannot exceed 53.75% (Section 29 (a) of the Amendment to the Income Tax Ordinance, 1953).

[7]) The rates of the corporations income tax and the corporations profits tax are actually 25%, but a municipal addition of 7.5% of the taxes due is imposed on both.

Suppose one thousand Israeli pounds are invested in machinery for paper mills. The ordinary depreciation rate for such machinery is 10% per year. [8]). This rate may be doubled according to Section 11 of the Israeli Law for the Encouragement of Capital. [9]).

Since, abstracting from Section 10, the marginal income tax rate is 50%, the tax benefits of the allowance of ordinary depreciation are I.P. 50 in each of the ten years of ordinary depreciation. At a discount rate of 6%, the present value of these tax benefits is I.P. 368. If the depreciation rate is doubled, the book value of the assets will be completely depreciated within five years. Had the marginal income tax rate remained at 50 %, the tax benefits of the depreciation allowances would have been I.P. 100 in each of the first five years, and this present value — I.P. 421.2. The time-discount value of accelerated depreciation is therefore equal to I.P. 53.2. But, according to Section 10, the income tax rate is reduced to 25 % during the first five taxable years. The tax benefits of accelerated depreciation are I.P. 50 in each of the first five years, [10]) and their present value is only I.P. 210.68, as compared with I.P. 368 before the enactment of the Law for Encouragement of Capital Investments.

However, this is not the right comparison to make, if one wishes to find out whether accelerated depreciation is profitable under the conditions created by this law. The investor is free not to use accelerated depreciation. He may compare the present value of the tax benefits of ordinary depreciation taking place during ten years, in the last five of which the marginal income tax is 50%, with the present value of accelerated depreciation. At a discount rate of 6% the present value of the tax benefits of ordinary depreciation is I.P. 262.7. [11]). The present value of accelerated depreciation — $\frac{200 \cdot 25}{100}$ for each of the first five years — is I.P. 210.6. The loss resulting from the use of accelerated depreciation amounts to I.P. 62.1 and it will be greater if the normal marginal tax rate is above 50%, and/or if the discount rate is below 6%. This result will be even more obvious if we present the same numerical example in a different manner.

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[8]) Income Tax (Depreciation) Regulations, 1941.

[9]) According to Section 11 (a) of the amended law the allowed depreciation rate will be 200% of the ordinary rate in the first five years of assessment.

[10]) The yearly depreciation deduction is I.P. 200; the yearly tax benefit = $\frac{200 \cdot 25}{100} = 50$.

[11]) $\frac{100 \times 25}{100}$ for each of the first five years and $\frac{100 \times 50}{100}$ for each of the following five years.

TABLE A

Taxable Year		Tax Benefits of Ordinary Depreciation under the Provisions of Section 11.		Tax Benefits of Accelerated Depreciation under the Provisions of Sections 10 and 11.
1	a	25	c	50
2		25		50
3		25		50
4		25		50
5		25		50
6	b	50		—
7		50		—
8		50		—
9		50		—
10		50		—
Present value		262.7		210.618

Let us designate the tax benefits of ordinary depreciation during the first five years as a, while the tax benefits of accelerated depreciation during these five years are c. If, assuming a proportional tax, the rate of accelerated depreciation is twice the rate of ordinary depreciation, as it is in the example, then $a = \frac{1}{2} c$ (and if the rate of accelerated depreciation is y times the ordinary rate, then $a = \frac{1}{y} c$). Thus the profitability of using accelerated depreciation depends on the present value of b — the tax benefits of ordinary depreciation in the last five years, — or more generally, the present value of ordinary depreciation deducted when the normal income tax will have been restored. Obviously b will be greater the higher the normal tax rate, and the lower the discount rate. If the present value of b is equal to half the present value of c in our special case, or if the present value of b = the present value of $(1 - 1/y)$ c in the more general case, the investor will be indifferent whether to use or not to use accelerated depreciation. Thus it becomes obvious that Section 11 tends to eliminate the benefits of Section 10.[13]). An investor who demands a rather short pay-off period might consider using accelerated depreciation in spite of Section 10 especially if his subjective discount rate is very high. But to foreign investors, and

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12) It is quite easy to find the discount rate which will cause such indifference. In our special case it is 14.9%. The fact that practically all approved investments did avail themselves of the provision for accelerated depreciation might indicate that the subjective discount rate of these investors was a higher one.

13) And to increase the benefits of Section 17 and 18. These sections allow for the *deferment* for five years of the payment of registration fees.

the Law was meant to encourage especially such investors, the pay-off period is unaffected by accelerated depreciation. According to Section 21, an approved investor may get permission to repatriate from Israel — on account of capital profits and interest from, or depreciation of, approved investment — foreign currency of the kind used for such investment, in an amount not exceeding in any year ten per cent of the amount of such investment. Thus the pay-off period for an approved foreign investor in Israel is ten years, with or without accelerated depreciation. [14]).

Income Tax Reductions and Accelerated Depreciation.

The fact that the reduction in the income tax rate tends to eliminate the benefits from accelerated depreciation is not an argument against using accelerated depreciation as a fiscal device to encourage investments. Accelerated depreciation, we shall argue, is a much more efficient method to encourage investments than exemptions from income tax. Several reasons may be put forward in support of this assertion. But let us first evaluate briefly income tax exemptions or abatements as compared with other tax incentives to investments. The following shortcomings of income tax exemptions or abatements are prominent:

a) Because income and profits taxes adjust automatically to current conditions and to business success or failure, they are less burdensome than cost-increasing or receipt-reducing taxes such as excises, payroll taxes, customs duties on imported equipment and supplies, property taxes and license fees. [15]). It seems therefore probable that the "stimulus to business and hence the nonfiscal return to the government will be larger when a given amount of exemption is related to these comparatively inflexible taxes than when it takes the form of freedom from income and profits

[14]) An interesting problem which ought to be discussed is the exchange rate of tax exemptions. Empirical studies suggest that — in the mind of potential foreign investors — the problem of transferability of currencies is more important than the problem of taxes (See for example E. R. Barlow and Ira T. Wender: *United States Tax Incentives to Direct Private Foreign Investment,* International Program, Harvard Law School, 1954). The Turkish Law for the Encouragement of Foreign Investment, for instance, does not offer any tax incentives to foreign investments, but instead allows free transfer of profits and capital base *(The Turkish Official Gazette:* January 23, 1954). Israel with its present balance of payment problem cannot afford complete transferability. Yet it is quite possible that the exchange rate paid by the Israeli taxpaying community — in the form of tax exemptions to foreign investments — for every dollar not transferred abroad by foreign investors, is much higher than the blackmarket exchange rate!

[15]) Cf. Richard Goode, "Taxation and Economic Development", *Proceedings of the Forty-Sixth Annual Conference on Taxation, The National Tax Association,* p. 232.

taxes". [16]). It should be remembered that tax exemptions are really granted by the taxpaying community, not by the government; other taxes or higher tax rates will have to be imposed to replace the revenues lost by the exemptions. The real costs of an additional investment for the community are thus smaller when new investors are exempt from cost-increasing taxes. This will be so for two additional reasons,

1) Exemption from cost-increasing taxes is much more likely to reduce the selling prices of the products of the new investments even according to a theory which grants that income taxes are somewhat shifted to consumers.

2) The exemptions from cost-increasing taxes, though complete in the law, are only partial in practice. They increase taxable income and the income tax will absorb a considerable part of these exemptions. The more successful the investment the lower the value of the exemptions from cost-increasing taxes to the investor, since the marginal income is higher (in a progressive income tax system). This is certainly a desirable result, since it is not logical to subsidize most the most profitable investments, and this is exactly what an exemption from income tax amounts to.

b) "It seems better to offer exemption to new investments than to new businesses, because, other things being equal, expansion of an existing business is at least as productive as formation of a new firm". [17]). But it is quite difficult to exempt from income tax the revenues from a new investment which is actually an expansion of an existing enterprise. Section 11 of the Israeli law reduces the income tax from income derived from an approved investment [18]) rather than from approved undertakings. This is as it should be, but is it possible to distingguish between the income attributable to the new approved investment and the income attributable either to old investment or to new non-approved investment? Suppose that a factory, an approved undertaking established in 1950, will with approval increase its plant in 1957. The income attributable to the 1950 investment will be fully taxable by then. [19]). The income attributable to the 1957 approved investment should be taxed at rates not exceeding 25%. But is it possible to distinguish between the two incomes?

c) Income tax exemptions are important subsidies, but more costly and less ascertainable than direct subsidies. Though there is no

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16) Goode, *op. cit.*, p. 232.

17) Goode, *op. cit.*, p. 232.

18) Approved investment is defined in Section 1 as capital investment in an approved undertaking.

19) Since the income tax abatement is limited to five years.

essential difference between a reduction in revenues and an increase in expenditure, the latter tend to be more carefully examined.

d) The new enterprises, in an underdeveloped country, might easily turn into monopolies. Especially so since each undertaking has to be approved by an "Investment Centre" which might prefer diversified investment to many undertakings in the same industry. Exemption from cost-increasing taxes does increase the quantities product by monopolies; exemptions from income tax do not.

These disadvantages of income tax exemptions do not mean, of course, that such exemptions are not welcomed by potential investors, and if a community is ready to pay that much for encouraging investments (which, at least in part, would have been made anyway) reductions in both income and profits taxes and from cost-increasing taxes might be granted to approved investors. Accelerated depreciation and temporary income tax abatements, on the other hand, are inconsistent measures for tax relief. We believe that accelerated depreciation is the better measure for encouraging investment. This belief rests on the following arguments:

1) If as a result of the forementioned difficulty of identifying the income attributable to an expansion of an existing plant, income tax relief is limited to new enterprises rather than to new investments, such relief gives no incentives for an existing firm to grow. The tax benefits of accelerated depreciation, on the other hand, are directly connected with the level of new investments.

2) Accelerated depreciation offers a much greater incentive to a growing enterprise than to a mature or a declining one. For a declining enterprise accelerated depreciation offers only a temporary deferment of tax payment. For a growing enterprise it is a permanent one. [20]).

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[20]) Cf. Evsey D. Domar, "The Case for Accelerated Depreciation", *Quarterly Journal of Economics,* LXVII (1953), pp. 493—519; Robert Eisner, "Accelerated Amortization, Growth, and Net Profits", *Quarterly Journal of Economics,* LXVI (1952), pp. 533—44: E. Cary Brown, "Business-Income Taxation and Investment Incentives", in *Income, Employment and Public Policy: Essays in Honor of Alvin H. Hansen (New York, 1948), pp. 300—316.* Readers who are familiar with these articles might object to our analysis on the grounds that, though not limited to the case of a single depreciable asset, it does not cover the case of an enterprise growing continuously as defined by Domar. For such a growing enterprise depreciation allowances under accelerated depreciation will *never* be lower than those under ordinary depreciation; therefore, even if income tax rates are expected to rise in the future, accelerated depreciation is still profitable to investors, at least if the provision for accelerated depreciation is considered to be a permanent one. Yet in this case too an investor might not avail himself of accelerated depreciation *before* the rise in the income tax rates; he would like to deduct as much depreciation allowances as possible after the rise in the income tax rates.

3) Accelerated depreciation is most attractive to capital-intensive industries, industries in which the ratio of depreciable assets to total investment is high.[21]). It is more important for low-yield investments than for high-yield investment, since the additional depreciation deductions represent a larger proportion of the returns of a low-yield investment than of a high-yield investment.[21]).

If accelerated depreciation is indeed a more efficient method of encouraging additional investments, that is, if it involves a smaller revenue loss per dollar invested, then naturally it should not be granted in a form that deprives it of most of its attraction to investors. Yet its combination with a temporary abatement from income tax is just such a form.

These remarks do not apply, of course, to the case of investment allowances (as contrasted to initial allowances which are a specific form of accelerated depreciation). In this case investors will always accept this additional relief, the value of which is indeed lowered by the income tax abatement, but which is costless to the investor.

If an income tax abatement is adhered to by the legislative body which wishes to make use of ordinary accelerated depreciation too, then the acceleration should be limited to the amount of ordinary depreciation during those years when the income tax rates are lower than normal. In this case the inconsistency disappears, but accelerated depreciation loses some of its benefits including its effect on the pay-off period. A better decision, it seems to us, is to grant very-much-accelerated depreciation, to reduce cost-increasing taxes, but to apply the ordinary rates of income tax which, sooner or later, investors must get accustomed to anyhow.

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21) For an elaboration of this point, and for an excellent survey of arguments for accelerated depreciation see Richard Goode, "Accelerated Depreciation Allowance as a Stimulus to Investment", *Quarterly Journal of Economics*, LXIX (1955) pp. 191—220.

THE IDEA OF 'BUILT-IN FLEXIBILITY' — 1837—1860

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In the past decade economists and public officials have recognized that certain types of government receipts and expenditures tend to react to economic fluctations in a way which helps to stabilize the economy. To the extent that tax revenues vary directly with business conditions while expenditures remain unchanged, for instance, fiscal policy will possess 'built-in flexibility', since the adjustment takes place without the necessity for discretionary action by government officials.

Although the emphasis on the relationship between fiscal policy and incomes is fairly recent, the general idea that the government's financial structure can be rigged in such a way that it provides an automatic influence toward economic stabilization can be traced back more than a century in the United States. In 1837, President Van Buren recommended to Congress the establishment of an Independent Treasury System, whereby the federal government would accept and use only gold and silver in its transactions. This would have given the federal government a powerful leverage over the banks, since any absorption of cash by the government would reduce bank reserves *pari passu*. At that time the principal sources of federal revenue were customs duties and sales of public lands, both of which were sensitive to economic fluctuations.

It was apparently Senator Silas Wright, of New York, who first called attention to the stabilization potential of the proposal. In his speech in the Senate on October 2, 1837, he said,

"But it might be said that, when our revenues should again become abundant, and exceed our expenditures, so that another surplus would accumulate, the system of deposits would necessarily lead to hoarding. This consequence he most cheerfully admitted, and he considered it one of the strongest merits of the system. He hoped never again to see that time when a surplus revenue should afflict us, but if that time did ever again come, it must proceed from an excess of importations, and a renewal of speculation in the public domain. In that case he wished to see the excess of the revenue hoarded, closely locked up from the uses of the trading community, as the most efficient, speedy, and certain check to the over-trading and speculations." [1])

[1]) *Congressional Globe*, V, Appendix, p. 120. Wright's biographer devotes considerable attention to this speech, but ignores this particular passage. See

Wright's view was in contrast to the common arguments advanced by other proponents of the measure, who stressed the need for greater safety of government funds, the undesirability of lending (in effect) government funds for private use, and the hope that the proposed system would lead to continual demands upon the banks for redemption of their liabilities, which would prevent 'over-issue' of banknotes. [2]) In fact, most supporters of the measure denied that it would lead to hoarding of gold and silver by the government! [3])

The Independent Treasury proposal was adopted in 1840, repealed in 1841, then adopted in 1846, to endure unmodified until the Civil War. During that time, other members of Democratic administrations alluded to its character as a stabilizer. Treasury Secretary James Guthrie reiterated the argument succinctly in 1856:

"The Independent Treasury, when over-trading takes place, gradually fills its vaults, withdraws the deposites (sic), and pressing the banks, the merchants and dealers, exercises that temperate and timely control, which serves to secure the fortunes of individuals and preserve the general prosperity." [4])

Also of considerable interest to the historian of economic thought is an effort by Henry C. Carey to refute the claim of automatic stabilization by using a crude dynamic model complete with period analysis. [5]) His argument is quoted at length:

"...It is proposed, that the government shall confine itself to the use of gold and silver, rejecting the aid of bank notes, checks, and drafts... It is supposed that whenever expansion takes place, specie will be absorbed by the treasury, and the correction will be

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John A. Garraty, *Silas Wright* (New York: Columbia University Press, 1949), pp. 155—7.

[2]) See Van Buren's annual message of 1837, U.S. 25th Congress, 1st. Session, Senate Document 1, pp. 10—11; *Currency—National Bank—Independent Treasury*, U.S. 25th. Congress, 2nd. Session, House Report 634, pp. 12—14; William M. Gouge, *A. Short History of Paper Money and Banking in the United States* (New York: B. and S. Collins, 1835), p. 64, and *An Inquiry into the Principles of the American Banking System* (same), pp. 35—36.

[3]) *Congressional Globe*, V, Appendix, pp. 59, 101, 137; William Gouge, *An Inquiry into the Expediency of Dispensing with Bank Agency and Bank Paper in the Fiscal Concerns of the United States* (Philadelphia: William Stanley, 1837), p. 29.

[4]) *Annual Report*, 1856, p. 32. For other statements, less clear, see the Treasury *Annual Reports* for 1853, pp. 268—271, (reprinting a report by Gouge on the Independent Treasury system), and 1858, pp. 20—22 (by Secretary Howell Cobb).

[5]) Henry C. Carey, *Answers to the Questions: What Constitutes Currency? What Are the Causes of Unsteadiness of the Currency? And What is the Remedy?* (Philadelphia: Lea and Blanchard, 1840), pp. 63—65. Carey's 'remedy', free banking, comes as rather an anti-climax.

applied. How far the adoption of that measure would be likely to produce the desired effect, we propose now to examine.

"Whenever, by increased action of the banks, there is produced an excess of currency, marked by an increase in the prices of commodities, the first effect upon foreign commerce is an increase of the *orders* sent abroad for further supplies. The time that must elapse between an excess of orders and an excess of *imports,* varies with the distance. — The shortest period that could be taken, as an average, would be five months... —

"From the period of arrival, the credit upon the duties... is [about] four months, at the expiration of which period there will be an excess of *revenue.*

"In the following table, a view is given of the course of affairs, from the commencement of an excitement to its close at the expiration of twenty months, and thereafter until the duties (which are estimated at 20 percent.,) upon all the merchandise imported within that period are paid up. By it are shown the effects of the absorption of specie by the treasury, in *preventing* an excess of imports, and in *increasing* the difficulty resulting from overtrading, when the fit is past.

"An examination of it will show, that in the tenth month, when the excess of orders amounts to twelve millions, and the excess of imports to six millions, *the preventive for the first time begins to take effect,* absorbing two hundred thousand dollars. In the sixteenth month, when the orders amount to twenty-three millions, and the excess of imports to thirteen and a half millions, the whole amount of specie that has been absorbed by the treasury is but one and a-half millions. This, and its increase in the four following months, with the demand for specie for remittance, tend to bring the speculation to a close, and at the twentieth month, when the excess of orders amounts to thirty-two millions — that of imports to twenty-one millions — and the specie in the treasury to two millions seven hundred thousand dollars — it terminates with an universal pressure for money, and an universal fall of prices.

"Up to this moment, the operations of the treasury have been almost unfelt, but now when universal depression has followed excitement — when the chill has succeeded to the fever — they acquire a daily increasing importance, and at the close of the twenty-ninth month, we find specie in the treasurer's hands amounting to six millions four hundred thousand dollars, the chief part of which has been *withdrawn from the community at the moment when prices were already reduced almost to the lowest point, and when the merchants required all the relief that could be afforded them...*

"The effect of the withdrawal of such an amount of specie, at

such a moment, must be utter ruin to both merchants and banks... It is safe to predict, that if such a system be once fairly tried, it must prove a total failure, and will be superseded by some other that will operate rather as preventive than as exaggerator.

Month	Excess of Orders	Total Excess of Orders	Excess of Imports	Total Excess of Imports	Excess of Revenue	Total Excess of Revenue
1	1,000,000	1,000,000				
2	1,000,000	2,000,000				
3	1,000,000	3,000,000				
4	1,000,000	4,000,000				
5	1,000,000	5,000,000				
6	1,000,000	6,000,000	1,000,000	1,000,000		
7	1,500,000	7,500,000	1,000,000	2,000,000		
8	1,500,000	9,000,000	1,000,000	3,000,000		
9	1,500,000	10,500,000	1,000,000	4,000,000		
10	1,500,000	12,000,000	1,000,000	5,000,000	200,000	200,000
11	1,500,000	13,500,000	1,000,000	6,000,000	200,000	400,000
12	1,500,000	15,000,000	1,500,000	7,500,000	200,000	600,000
13	2,000,000	17,000,000	1,500,000	9,000,000	200,000	800,000
14	2,000,000	19,000,000	1,500,000	10,500,000	200,000	1,000,000
15	2,000,000	21,000,000	1,500,000	12,000,000	200,000	1,200,000
16	2,000,000	23,000,000	1,500,000	13,500,000	300,000	1,500,000
17	2,000,000	25,000,000	1,500,000	15,000,000	300,000	1,800,000
18	2,000,000	27,000,000	2,000,000	17,000,000	300,000	2,100,000
19	2,500,000	29,500,000	2,000,000	19,000,000	300,000	2,400,000
20	2,500,000	32,000,000	2,000,000	21,000,000	300,000	2,700,000
21			2,000,000	23,000,000	300,000	3,000,000
22			2,000,000	25,000,000	400,000	3,400,000
23			2,000,000	27,000,000	400,000	3,800,000
24			2,500,000	29,500,000	400,000	4,200,000
25			2,500,000	32,000,000	400,000	4,600,000
26					400,000	5,000,000
27					400,000	5,400,000
28					500,000	5,900,000
29					500,000	6,400,000

Without examining his model in detail, one may note the emphasis correctly placed upon time lags, and the resulting resemblance to the business-cycle theory associated with Hawtrey.

It is disappointing to report that the Independent Treasury does not appear to have worked too well as an automatic stabilizer, even through the practice of allowing credit for customs duties, about which Carey complained, was eliminated in 1842. Since the income effects of federal fiscal policy were small — total federal expenditures were only about two percent of national income — the system had to work through its monetary effects. These were much greater, since at that time federal holdings of specie were often 25 to 40 percent as large as bank specie reserves. Customs

revenues and land sales did respond sensitively to economic fluctuations. But apparently the banking system was too unstable to allow the flow of specie in and out of the Treasury to exert the best sort of influence. During boom times, the banks increased their loans despite falling reserve ratios. Treasury officials feared that the absorption of specie into the Treasury might cause a banking panic, so in two notable instances, in 1853 and 1857, they prevented such absorption by buying U.S. securities in the open market. During a period of recession, such as followed the panic of 1857, the automatic release of specie from the Treasury was beneficial, but probably had little immediate effect because of the unfavorable state of business confidence among potential borrowers and lenders. Thus the Treasury never really allowed the system to operate automatically to check a boom, and in recession, its efficacy was probably quite limited.[6])

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[6]) This paragraph based on my unpublished doctoral dissertation, *Federal Finance and the American Economy, 1790—1860* (Princeton University, 1954), pp. 439—452.

BOOK REVIEWS / CRITIQUES

La reforme Budgetaire — tome III, programmes et marchés publics, Travaux élaborés par la Commission présidée par M. le Contrôleur Général Jacomet, Etudes de Finances publiques, publiées sous les auspices du Centre français de droit comparé, Les Editions de l'Epargne, Paris, 1956, 265 pages.

Dans une chronique précédente — voir „Finances publiques" no. 2, 1955, pages 256 à 260 — nous avons commenté les tomes I et II des travaux publiés par la Commission de la réforme budgétaire, constituée au sein de l'Institut de droit comparé de l' Université de Paris et placée sous la présidence de M. le Contrôleur Général Jacomet.

La Commission de la réforme budgétaire vient de publier un tome III consacré aux *lois de programmes* et aux *marchés publics*.

Tous les spécialistes de finances publiques savent qu'il s'agit là de deux problèmes particulièrement controversés.

En effet, les principes de l'annualité du budget, introduit en réaction des abus des régimes absolutistes, n'est plus adapté aux tâches toujours croissantes de l'Etat moderne.

Par ailleurs, la règle de l'adjudication publique, admise comme un postulat intangible dans les codes de comptabilité publique du siècle dernier, a été dépassée par les évènements, depuis que les ententes tacites de plus en plus fréquentes entre les adjudicataires faussent le jeu de la libre concurrence et que l'amplitude des programmes de travaux et de fournitures a bouleversé les relations traditionnelles entre l'Etat et ses fournisseurs.

L'ouvrage sous revue publie un certain nombre de rapports soumis à la Commission de la réforme budgétaire en vue de réformer, en ce domaine, les règles de la comptabilité publique française.

A vrai dire, c'est surtout aux règles de passation des marchés que les rapporteurs se sont intéressés, étant donné que le législateur français a déjà introduit dans le droit budgétaire, la notion de loi de programmes, comportant des crédits d'engagement et des crédits de paiement échelonnés sur plusieurs années, afin d'éviter toute solution de continuité dans l'exécution des programmes.

Ce qui fait l'originalité de l'ouvrage, c'est le fait que M. le Contrôleur Général Jacomet a fait appel, en vue d'éclairer la religion de la Commission, à la fois à des fonctionnaires des administrations publiques, à des grands chefs d'entreprises et à des professeurs d'universités.

Les pratiques des pays étrangers en matière de passation de mar-

chés de l'Etat — notamment aux U.S.A., en Grande Bretagne et aux Pays-Bas — ont également fait l'objet d'études fouillées.

Il n'est pas possible de résumer ici, même schématiquement, les exposés des différents rapporteurs.

Nous devrons nous contenter de relever simplement les sujets traités et le nom des auteurs:

— Les Programmes de Dépenses sur plusieurs années dans le Budget britannique par M. de Wailly, Inspecteur des Finances;

— Les Programmes de Dépenses sur plusieurs années dans le Budget néerlandais par M. de Wailly, Inspecteur des Finances;

— Procédures administratives et financières de l'exécution du Programme de Défense aux U.S.A., par M. Paulhac, Contrôleur général de l'Armée;

— Le financement des marchés publics, par M. Masoin, Professeur à l'Université de Louvain;

— Quelques réflexions sur les marchés publics, par M. Maldidier, Ingénieur en chef des Fabrications d'Armement;

— La passation et le financement des marchés publics, par M. J. Branger, Directeur général de la Caisse nationale des Marchés de l'Etat;

— Comment diminuer le coût des marchés publics? par M. M. Waline, Professeur à la Faculté de Droit de Paris;

— L'Etat Client vu sous l'angle du fournisseur, par R. Lucien, Ingénieur des Arts et Manufactures, Président-Directeur Général des Etablissements Messier;

— Une grande entreprise nationalisée fournisseur de l'Etat, par P. Lefaucheux, Président-Directeur général de la Régie Nationale des Usines Renault;

— Les Entreprises publiques et l'Etat Client, par M. Lorain, Conseiller-Maître à la Cour des Comptes;

— Rapport sur le projet d'instruction générale concernant les lois de programme, par A. le Henaff, Contrôleur général de la Marine.

D'une manière générale, les représentants du monde des fonctionnaires et du milieu des affaires plaident en faveur d'une réforme radicale des règles de passation des marchés publics, dans un sens qui s'inspire de l'exemple des pays anglo-saxons.

Il ne s'agit rien de moins que de renverser les conceptions actuellement en vigueur et d'ériger le principe du marché de gré à gré en règle générale, la procédure de l'adjudication publique étant reléguée aux cas d'exception.

Les porte-parole, de cette opinion et tout particulièrement M. Maldidier, Ingénieur en chef des Fabrications d'Armement, font valoir, à l'appui de leur thèse, d'innombrables arguments d'ordre

technique et pratique, les uns plus convaincants que les autres, émaillés d'exemples frappants.

M. Waline, Professeur à la faculté de droit de Paris, fait entendre, à l'encontre de ces suggestions, un son de cloche quelque peu différent.

Sans contester nullement le bien fondé de l'argumentation des partisans du marché de gré à gré, il émet l'avis que l'introduction, dans un pays tel que la France, des méthodes de passation de marchés pratiquées dans les pays anglo-saxons, n'est concevable qu'à condition de voir remplies un certain nombre de „conditions préalables", notamment: la *responsabilité rigoureuse des fonctionnaires* et l'acceptation par les industriels et entrepreneurs français d'un *contrôle rigoureux de leur comptabilité par des représentants de l'Etat.*

Etant donné que le climat politique en France — et nous ajouterons, celui d'un pays comme la Belgique — n'est par mûr pour que de pareilles „conditions réalables" soient remplies, le Professeur Waline estime que l'instauration du marché de gré à gré comme règle générale du mode de passation des grands marchés présente de sérieux inconvénients.

Il préconise plutôt de tirer parti des nombreuses possibilités qu' offre la réglementation française en vue d'éluder, dans des cas justifiés, la procédure de l'adjudication publique, le principe du paiement après service fait et du forfait.

L'opinion de cet éminent juriste a certes pour conséquence de refroidir certains enthousiasmes et de paraître quelque peu conservatrice, mais ainsi qu'il le rappelle, n'est-ce pas Bossuet qui a dit que „le pire déréglement de l'esprit c'est de croire que les choses sont telles que l'on voudrait qu'elles fussent".

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Government Budgeting. By Jesse Burkhead. (New York: John Wiley & Sons, Inc.; London: Chapman & Hall, Limited. 1956. Pp. ix, 498. $7.50).

This valuable contribution to the field of government budgeting has been prepared by one who is highly qualified both by experience and academic training to write in this area. Professor Burkhead has served as a staff member of the United States Bureau of the Budget, as consultant to the Pennsylvania Joint State Government Commission, and has been associated with the Department

of Economic Affairs of the United Nations for a period of three years. Dr. Burkhead is presently Professor of Economics in the Maxwell Graduate School of Citizenship and Public Affairs at Syracuse University.

This well organized volume approaches the subject of public budgeting from an economic point of view indicating that economic analysis is basic to an effective budgetary system. Throughout the Chapters there is a close interlocking between economics and budgetary administration, whether the discussion relates to theory or practice. Indeed, the author presents the study of government budgeting as a study in applied economics.

The volume is divided into four parts: Part I is devoted to the historical, institutional, and procedural aspects of budgeting with a final chapter on the budget cycle. Part II is devoted to a full treatment of alternative classifications of budgetary data. It is the author's conviction that the choice of any particular classification of revenues and expenditures is a most important aspect of budget making. He believes that the inherent process of decision-making in budgetary administration is conditioned substantially by the classification of revenues and expenditures, whether grouped by functions, organizations, objects or otherwise. Part III examines in detail each phase of the budget cycle. The final part of the volume deals with certain specific problems, such as revenue estimating, the time factor in budgetary affairs, the control of and budgeting for government corporations, and the problem of the balanced budget. At the end of the chapters Professor Burkhead has contributed a significant amount of valuable bibliographic material which has been written on the subject of public budgeting during the past twenty-five years.

The volume places major emphasis on budgeting in the national government of the United States. However, budget practices and procedures in State and local governments are not entirely neglected and there is a considerable amount of attention devoted to budgeting in other countries of the world. This is an exceptionally valuable innovation, and one which will be welcomed by the professor who does not have ready access to materials which were available to the writer. It is possible that the volume overemphasizes the significance of the work of the central office and minimizes the importance of budgeting within departments and agencies, for it is doubtful whether the end product of budgeting in a central office can rise above the quality of the end product of the work already completed at the agency level.

On the whole, this is a most welcome volume for the professor of government budgeting in colleges and universities. It is by far the

most comprehensive recent volume in the field. It is certain to add substantially to a fuller understanding of both the theory and practice of public budgeting.

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The Municipal Income Tax: Its History and Problems. By Robert A. Sigafoos. (Chicago: Public Administration Service, 1955.)

A perennial, and perhaps the major, problem confronting the 100,000 local governments of the United States (and perhaps municipalities elsewhere) is how to raise adequate revenue to support an expanding volume of essential public services. When this problem first became acute, during the great depression of the 1930's, the principal remedies employed were state (provincial) and national grants-in-aid and local sharing of state administered taxes. Since World War II, some state legislatures have sought a different remedy by authorizing their municipalities to impose various non-property taxes to supplement the general property tax, the traditional and still the exclusive municipal tax in most American states. Many of the new non-property taxes have been nuisances or disasters, producing more confusion and inequity than revenue. Is the income tax a feasible levy for municipalities? Does it offer an answer to the widespread need for municipal revenue? Dr. Sigafoos, research director for the Treasury Department of the Commonwealth of Puerto Rico, gives a qualified but affirmative answer.

This concise treatise is the first comprehensive survey and analysis of the experience of American municipalities with income taxation. Its scope and contents are indicated by the chapter subjects: the growth of municipal income taxation, municipal tax ordinances, administration, revenue, litigation, and appraisal. The latter chapter appraises the levy according to general canons of taxation and by comparison with the major alternative sources of additional municipal revenue: the retail sales tax, higher property tax rates, state grants, and tax sharing. Although focused on American experience, some references are made to municipal income taxation in Scandinavia and Canada.

The municipal income tax was initiated in the United States by the city of Philadelphia in 1940. Currently it is authorized by six

states and it is imposed by 434 local governments, all but 26 of which are Pennsylvania municipalities. The phenomenal use of the levy in Pennsylvania is the consequence of the state statutory provision that in the event a person is subject to the income tax ordinances of two municipalities, at his residence and at his place of employment, the municipality of residence shall have exclusive jurisdiction. This inevitably produced an unfortunate chain reaction of retaliatory enactments.

This study reveals how accurate is the criticism that the Philadelphia type municipal income tax is a wage or payroll tax rather than a graduated net income tax, and how much it relies on collection-at-source. Dr. Sigafoos observes that the most accurate title is a „gross earnings and net profits tax." Business firms are taxed on their net profits whereas individuals are taxed at a flat rate — usually 1 % or ½ of 1 % — on gross income with absolutely no exemptions or deductions. Furthermore, the ordinances uniformly tax only earned income, not taxing income from interest, dividends, rents, royalties, etc. (nor corporate income in Pennsylvania). Thus this levy is quite different from the federal graduated net income tax. Dr. Sigafoos suggests that its regressiveness be mitigated by some rate graduation, family deductions, and taxation of unearned income. Municipal authorities, however, regard these proposals as administratively unfeasible.

This study is based on extensive field surveys and statistical tabulations. The data present numerous significant facts: Costs of administration are low, about 3 %, because most of the actual cost is borne by employers who withhold the tax — 80 % to 90 % of receipts are from withholding. The effectiveness of administration depends less on the size of the municipality than on the employer situation. One large firm may collect nearly all of the tax. Collections run about 90 % of estimated total legal liability (because of withholding and exclusion of unearned income). Many cities collect substantial amounts from non-residents (as much as 50 %), but others collect very little. It is less easily avoided by „daylight residents" than the retail sales tax (the principal rival tax) and it has had no deletarious effect on business or employment. Although quite regressive, the burden has been ameliorated by the low rates. The constitutional and other legal problems have been largely resolved. In several municipalities it equals or exceeds the receipts from the general property tax. Although many of the administrative problems have been solved, auditing is inadequate generally and there has been incredibly little effort to coordinate enforcement with state or federal income tax enforcement. Its per capita yield is about double that of a retail sales tax at the same rate.

Will the municipal income tax be adopted more widely in the near future? To date most state legislatures have declined to authorize its use, whether because of skepticism of the levy or because of inertia and attachment to the traditional property tax. Perhaps some legislators share the reviewer's doubt about the wisdom of supplementing the mildly regressive property tax by an even more regressive payroll tax. In any event, we are indebted to Dr. Sigafoos and the Public Administration Service for this excellent study which will be welcomed not only by students of public finance but also by legislators, municipal officials, and taxpayer associations seeking property tax „relief".

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